



IDAHO

DEPARTMENT OF FINANCE

1905 - 2005



2005 Annual Report

Protecting the Integrity of Idaho Financial Markets for 100 Years

Dirk Kempthorne
Governor

Gavin M. Gee
Director



DIRK KEMPTHORNE
Governor

GAVIN M. GEE
Director

July 1, 2005

THE HONORABLE DIRK KEMPTHORNE
GOVERNOR, STATE OF IDAHO

Dear Governor Kempthorne:

I am pleased to submit herewith the 100th Annual Report of the Department of Finance for fiscal year 2005, July 1, 2004 through June 30, 2005. One hundred years ago, our Department administered only one law, the Idaho Bank Act, and licensed only one industry – banks. The total number of banks regulated in 1905 was 78 with combined assets totaling approximately \$14 million. Today, the Department licenses and regulates fifteen industries, including banks, with total assets in the banking industry alone of over \$5.5 billion and total assets of all industries in the multiple billions. The total number of entities regulated today is over 141,000.

Idaho's economy during fiscal year 2005 grew at an impressive rate. Likewise, the financial industries regulated in Idaho by the Department remain strong.

Key performance measurements of Idaho financial institutions reflect continued growth and expansion of services throughout the state. The asset growth of Idaho community banks continues to outpace the national average. Profits grew, and asset quality remained sound. Consumer loan delinquencies at Idaho institutions were at historical lows and Idaho institutions reported one of the lower total past-due loan levels in the nation. Improving economic conditions, low interest rates, and strong loan growth aided credit quality. Idaho chartered a new commercial bank this year, Idaho First Bank, which opened in McCall in October 2005. Idaho's credit unions also remain healthy, and ensure their members have access to credit and basic financial services. Although the number of securities issuer filings continued a slight downward trend, likely due to consolidation within the mutual fund industry, the number of securities firms and agents registered in Idaho increased more than 6% over the previous fiscal year.

The Department experienced a 15.9% increase in the total number of filings and licensees under its jurisdiction, to a record 141,501. This number not only supports optimism about Idaho's economic future, but also speaks well of the superb job done by the staff of the Department. In five years, the Department has more than doubled the number of submissions/licensees per employee. This is in addition to the increased efforts of the employees to promote economic development, improve financial literacy, and protect consumers in the state.

The Department continues its participation in Small Business Information Fairs throughout the state, and educational efforts for industry. The Department is actively involved in implementing the "Idaho Family Asset Building Initiative" legislation, enacted in 2002, which established Idaho's Individual Development Account (IDA) Advisory Board. This year, United Way of Treasure Valley, a state authorized fiduciary that is administering a statewide IDA Program, was awarded a federal grant of up to \$500,000 in matching funds.

The funds raised by United Way and those then matched by the federal grant will be used to establish IDA accounts to assist qualified low-income applicants build assets to purchase a home, go to school or start a business. Again this year, consumer educational efforts remain a priority. For example, as in past years, Department employees made financial education presentations to high school students, remained active in the Idaho Financial Literacy Coalition, and co-sponsored and participated in the Governor's Conference on Aging, and the State Treasurer's Smart Women, Smart Money Financial Conference. Finally, consumer protection efforts of the Department continue to result in money being returned to Idaho residents who are victims of fraud or other violations of law. This past fiscal year, the Securities Bureau alone obtained approximately \$9.3 million in rescission orders and penalties.

Two new laws – the Idaho Escrow Act and the Financial Fraud Prevention Act – were enacted during the last legislative session. Noting the increasing problems in the escrow area, particularly the instances of fraudulent Internet escrow services infiltrating legitimate websites such as e-Bay and Amazon Z-shops, the Idaho legislature took proactive steps to assure adequate enforcement authority exists to address such problems. The Department will also begin licensing those engaged in the escrow business as well as conducting examinations of their books and records to assure the business practices are fair.

The Financial Fraud Prevention Act gives the state significant new powers to address fraud committed against financial institutions and their customers. Although the fraud is typically a crime, often it is not prosecuted. This new law will provide another avenue of redress for those injured by financial fraud. The Financial Fraud Prevention Act authorizes the Department to investigate and bring civil enforcement actions against persons who perpetrate fraud against financial institutions, including non-depository institutions, and their customers. The law would also allow referral of actions to criminal law enforcement agencies.

The 2005 Legislature appropriated the resources to the Department to implement amendments made by the 2004 Legislature to the Idaho Residential Mortgage Practices Act. These amendments require individual mortgage loan originators to be licensed by the Department to originate loans. Between 7,000 and 10,000 individuals are expected to become licensed beginning January 1, 2006 under this new provision.

Finally, amendments were also made to the Idaho Money Transmitters Act that give the Department greater investigative and audit authority, and also coordinate Idaho law with some provisions of federal anti-terrorism laws.

This Annual Report contains many other highlights of Department initiatives for both industry and consumers. I express my sincere appreciation for the support we have received from you, your staff, the Legislature, the industries we regulate and their associations, and our national associations, and for the dedication of our employees.

Sincerely,



GAVIN M. GEE
Director of Finance

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FOREWORD

The Department of Finance is a regulatory agency charged with the supervision and oversight of state-chartered financial institutions, regulated lenders, securities issuers, broker-dealers and stockbrokers, residential mortgage brokers and lenders, investment advisers and sales personnel, collection agencies, endowed care cemeteries, and others. The Department administers nine distinct programs. Two of these programs relate to the Department's internal operations, while the other seven involve the administration and enforcement of the following twenty-two regulatory statutes:

<i>Idaho Bank Act</i>	<i>Idaho Credit Code</i>
<i>Idaho Bank Holding Company Act</i>	<i>Idaho Mortgage Company Act</i>
<i>Idaho Interstate Banking Act</i>	<i>Idaho Collection Agency Act</i>
<i>Idaho Interstate Branching Act</i>	<i>Idaho Securities Act</i>
<i>Idaho International Banking Act</i>	<i>Idaho Residential Mortgage Practices Act</i>
<i>Idaho Trust Institutions Act</i>	<i>Business Combination Act</i>
<i>Idaho Savings Bank Act</i>	<i>Control Share Acquisition Act</i>
<i>Business And Industrial Development</i>	<i>Idaho Commodity Code</i>
<i>Corporation Act (BIDCO)</i>	<i>Endowment Care Cemetery Act</i>
<i>Idaho Credit Union Act</i>	<i>Continuing Care Disclosure Act</i>
<i>Idaho Money Transmitters Act</i>	<i>Idaho Escrow Act</i>
	<i>Idaho Financial Fraud Prevention Act</i>

MISSION STATEMENT

The mission of the Idaho Department of Finance is to aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities, and credit transactions. Through administration of laws enacted by the Idaho Legislature, legitimate financial transactions are encouraged, while fraud, unsafe practices, and unlawful conduct are detected and appropriate enforcement action is taken.

The Department is funded entirely by fees levied by law on the industries subject to its supervision. A list of prior Commissioners/Directors of the Department of Finance is shown in Exhibit I, and a summary of income and expenses and personnel status is shown in Exhibit II. Exhibit VII provides a list of the Department's staff.

DEPARTMENT HIGHLIGHTS AND CURRENT ISSUES

The Idaho Department of Finance celebrated its centennial year during 2005. The Department, originally known as the Idaho office of “State Bank Commissioner,” was created March 6, 1905. At that time, the Department administered only one law, the *Idaho Bank Act*, and regulated only the banking industry. At the end of 1905, the Department regulated 78 banks with combined assets of approximately \$14 million. Today, the Department oversees more than 141,000 entities in 15 different financial service industries with combined assets in the billions. The Department delivers services through three operating bureaus: Financial Institutions, Securities, and Consumer Finance. Each bureau delivers services in both a regulatory capacity and as a consumer protection and education advocate.

A Centennial Celebration was held in March to mark the Department’s 100th Anniversary. Governor Kempthorne and other elected officials, members of the financial services industry and legal community, former employees and friends gathered to commemorate this special event. The Department displayed a variety of historical items and information about the Department’s rich history. The Department also held numerous open houses during the year for groups such as the Senate Commerce and Human Resources Committee, the Idaho Community Bankers Association, the House Business Committee, the Idaho Credit Union League, the Idaho Bankers Association, and the Idaho Association of Mortgage Brokers, and Idaho Mortgage Lenders Association.

National and Regional Economic Conditions – During the past fiscal year, the overall economy has done very well. Despite a surge in both oil and natural gas prices, consumer spending appears to have held up well, likely due to rising home prices and growth in disposable income. Monetary accommodation and brisk productivity growth have also contributed to the sustained economic activity. Rising productivity keeps the economy growing with less upward pressure on inflation. Core inflation rates moved up only slightly. Real GDP grew steadily, jobs have increased and the unemployment rate has declined. Business investment increased during each quarter of fiscal year 2005. Federal government spending also grew, fueled by national defense outlays.

Idaho Economic Conditions -- Favorable economic expansion continued throughout Idaho during the past year. Idaho ranked sixth nationwide for strong employment growth of 3.4%, with job growth primarily evident within the business, education, health services, and construction sectors. Growth in the construction sector was the result of strong housing activity and commercial and development property growth taking place around the state. The unemployment rate decreased significantly, placing Idaho among the seven states in the country with the best employment rates. Personal income increased 7.1% from one year ago; however, personal bankruptcy filings rose significantly. The 10% spike in filings may be due to impending bankruptcy law changes that become effective in October 2005.

Idaho's community banks remain in excellent condition and continue to benefit from, and contribute to the state's economic expansion. Assets and deposits in Idaho's community banks increased significantly again this year. Idaho banks were recently ranked among the highest in the nation for their average annual asset growth rate of 21.26%. Net interest margins increased and on average rank fourth in the nation. Increases in net income continued, and asset quality also showed improvement. Delinquency ratios for Idaho banks were among the six best nationwide. These positive factors are indicative of and result from the favorable economic climate in the state, a low interest rate environment, and strong loan demand.

Idaho chartered credit unions demonstrated positive growth in assets, deposits and loans. Delinquent loan ratios fell, while the aggregate capital amount for all state-chartered credit unions again increased when compared to total assets. Also, expansion of branch activity among credit unions created additional choices for Idaho consumers.

Interest in offering Idahoans access to quality financial services has grown as represented by a 15.9% increase in total licensees over the previous year. The Department acted on more than 141,500 filings and business applications. This speaks well of how Idaho is perceived as a place for doing business and of Idaho's economic conditions and growth prospects when compared to other states and regions.

Productivity Gains – The Department continues its commitment to find ways to streamline regulation while improving internal productivity. The application of new technology,

regulatory adaptation, and operational design has allowed the Department to provide appropriate oversight for significantly more entities and individuals.

As noted earlier, the Department recorded and processed more than 141,000 submissions for securities filings, registration applications, charter applications and others. Over the past five-year period, licensing activity has averaged an increase of 15%. Perhaps more telling is the number of submissions/licenses per employee. The Department employed approximately one staff member for every 2,612 licensees/submitters in 2001. Today, that number is approximately 3,290 licensees/submitters per employee. Finally, in Fiscal Year 2005, while balancing its mission to provide consumers access to financial services with its duty to oversee the financial industries it regulates, the Department obtained orders for nearly \$5.8 million in refunds and restitution for Idaho consumers

Electronic Commerce and Technological Adaptation – The Department has a rich history of adapting technologies to overcome problems and to realize greater efficiency. For example, most Idaho registered securities sales agents (now numbering more than 64,400) have been licensing electronically since the 1980s. Also, the Department continued its participation in a national electronic licensing and filing system for investment advisory firms. The Department continues to move forward in this area and plans to accommodate electronic submission capabilities for each industry overseen by the Department. Most recently, the Department adapted its on-line filing system to accommodate mortgage licensing renewal capabilities. The Department's current web address is <http://finance.idaho.gov>.

Staff Professional Activities – Department staff members are committed to maintaining and improving their skills in order to provide appropriate services and to keep pace with today's rapidly changing industry and regulatory environment.

Beyond staying current with developing issues such as electronic banking and on-line securities trading, staff members participated in various interstate workgroups sponsored by the North American Securities Administrators Association (NASAA). The Department is also a member of the Conference of State Bank Supervisors (CSBS), National Association of State Credit Union Supervisors (NASCUS), and National Association of Consumer Credit Administrators (NACCA), American Association of Residential Mortgage Regulators

(AARMR), and the North American Collection Agency Regulatory Association (NACARA). Locally, Department employees participate on the Boise Economic Development Council Venture Capital Committee and the Idaho Financial Literacy Coalition.

The Director of the Department of Finance serves as Chairman of the CSBS Nationwide Automated Mortgage Licensing Taskforce and currently serves as Vice Chairman of the of the Idaho Endowment Fund Investment Board. He also serves on the board of directors of CSBS and several committees of both CSBS and NASCUS. The Department's Consumer Finance Bureau Chief, Michael Larsen, serves as a Director of NACARA, and as a Board member for AARMR.

REGULATORY AND EDUCATIONAL INITIATIVES

There have been significant changes in the regulatory and competitive structures of the financial services industry during recent years. These changes require adaptation by both industry and regulators. In this regard, the Department and its staff have engaged in several activities associated with improving regulation and reducing regulatory burdens, while also expanding educational opportunities for both industry and consumers.

Idaho Financial Services Development – The Department continues to encourage the financial services industry to expand its services into rural communities across the state. During fiscal year 2005, the Department approved twelve financial institution branches in Idaho communities. Two out-of-state chartered bank branches were also opened in Idaho communities.

Individual Development Account (IDA) Advisory Board – The Director of the Department of Finance serves on the Idaho IDA Advisory Board. The Idaho IDA Program is an asset-building program that helps qualified low-income applicants purchase a home, go to school, or start a business. With matching funds saved in these accounts from various resources, IDAs promote self-sufficiency and build personal assets that help low-income individuals and families move out of poverty. Last year the Board approved United Way of Treasure Valley (UWTV) as the first state authorized fiduciary to administer a statewide IDA Program. This year, UWTV obtained a federal grant of \$500,000 to assist in the funding of

Idaho's IDA program. The federal funds will be provided as matching funds to UWTV as it raises private funds for the program. This is a significant step forward for the Idaho IDA Program.

Statutory Initiatives – Four new laws affecting the financial services industries doing business in Idaho were passed by the 2005 Idaho Legislature and signed into law by Governor Kempthorne. The *Idaho Financial Fraud Prevention Act* expands the Department of Finance's authority with regard to fraud committed against financial institutions and their customers. This law provides enhanced protections for customers and additional paths of redress in addition to criminal prosecution. The new law should prove invaluable in fighting problems such as identity theft and mortgage fraud which have risen dramatically this year.

The *Idaho Escrow Act* provides regulation of independent escrow businesses. Until this year, Idaho was one of only a handful of states without such oversight. Increasing problems in this area, particularly recent instances of fraudulent Internet escrow services, led the Legislature to take this proactive step.

Last year the Department reported significant amendments to the Idaho Residential Mortgage Practices Act (IRMPA), including new licensing requirements for individual mortgage loan originators. The loan originator licensing requirements were made contingent on adequate funding by the 2005 Legislature to enable the Department to implement the licensing of an estimated 7,000 to 10,000 new loan originator licensees. In fiscal year 2005 the Idaho Legislature provided the funding needed for the Department to move forward with the implementation of loan originator licensing. This included approval of six new examination and support staff members in the Consumer Finance Bureau. The Department is now prepared to implement mortgage loan originator licensing in January 2006.

Finally, amendments were made to the *Idaho Money Transmitters Act*. This law governs those engaged in sending or receiving money within or outside the United States by means such as money orders, wire transfers and other payment instruments. The 2005 amendments give the Department greater investigative and audit authority, and also coordinate Idaho law with some provisions of federal anti-terrorism laws.

All four laws became effective July 1, 2005.

The Guaranty, Title, and Trust Company Act, adopted in 1901, was repealed since it was outdated and authorized activities which were comprehensively addressed by other provisions of Idaho law.

During this year, Sallie Mae, the country's leading provider of education funding, acquired Student Loan Finance Association (SLFA). Pursuant to Executive Order 2000-19, Idaho Student Loan Finance Association (ISLFA), a subsidiary of SLFA, has been under the oversight of the Department. In the course of this acquisition, ISLFA became part of the Sallie Mae entity and the Department oversight was no longer needed. The Executive Order was not renewed.

Regulatory Burdens and Related Costs – The Department continues its commitment to provide reasonable regulatory oversight without excessive costs to industry. Annual assessments charged to banks and credit unions were discounted from the statutory maximums for the tenth year in a row. This discount has resulted in significant savings for state-chartered financial institutions.

In addition to reducing fees, the Department is implementing ways to reduce other regulatory burdens without reducing the effectiveness of its regulatory oversight. For example, the Department continues to explore ways to direct its examination resources more effectively by reducing the number of staff hours spent in institutions that are healthy and that routinely gain high marks for financial and operational integrity.

Venture Capital in Idaho – The Department maintained representation on the Boise Economic Development Council Venture Capital Committee during 2004. This Committee strives to promote the availability and quality of sources of venture funding for emerging growth companies located in Idaho. The Committee has met with continued success in the promotion of these efforts, particularly in the annual Venture Capital Investor Forum sponsored by the Committee and other private and public entities. The Venture Capital Forum

is educational in nature and also provides an opportunity for entrepreneurs to present their business ideas to accredited and institutional investors.

Small Business Capital Formation Efforts – The Department continues to participate with more than a dozen state and federal agencies in Small Business Information Fairs held throughout the state. The fairs are a one-stop source of information for persons interested in starting a small business. At these events, the Department presents information about financing options for small businesses in addition to providing assistance in understanding and complying with the various laws the Department administers.

Educational Initiatives – The Department continues its efforts to assist industry in understanding and complying with regulatory requirements. In this regard, the Department expended significant efforts in providing educational opportunities for industry participants, while continuing and expanding its educational efforts directed at consumers of all ages.

The Department's Consumer Finance Bureau publishes a bi-annual industry newsletter entitled "*The Idaho Compliance Connection*" as a tool to inform collection agency, mortgage broker/lender, regulated lender, and payday lender licensees about regulatory requirements and changes. Also in April of 2005, the Consumer Finance Bureau presented successful educational outreach training seminars to mortgage, regulated lender, and payday lender licensees at locations throughout the state.

Industry Educational Efforts – During the course of each year, members of the Department's staff make presentations before various local industry groups. In many cases, the Department delivers information on current industry compliance issues, as well as helping industry to better understand how the Department operates. Often, these presentations result in an opportunity for industry participants to have specific issues and concerns addressed in an informal discussion setting. This year, the Department co-sponsored and participated in training seminars with the CSBS, NASCUS, the Federal Deposit Insurance Corporation (FDIC), the NASD and industry organizations.

In September, the Department co-sponsored a Homeland Security Seminar on "Protecting the Financial Sector – A Public and Private Partnership". This seminar, sponsored by the Financial

and Banking Infrastructure Committee, focused on what private-public partnerships can do to protect the financial sector from terrorism and other threats.

We are especially pleased that this year Idaho was chosen to host the 2007 Conference of State Bank Supervisors (CSBS) Annual Conference in Coeur d'Alene, a first in CSBS's 103-year history. Our Department has also hosted a Bank Director Training Conference in Coeur d'Alene for the past three years, which continues to attract Bank Directors from around the region and country.

Consumer Educational Efforts – The Department has a long tradition of providing educational resources to Idahoans. The Department maintains an active “speakers bureau” and provides educational presentations on a variety of topics including investment fraud and consumer credit issues. Of particular importance this year was the topic of “identity theft”, which was determined to be the top consumer fraud complaint by the Federal Trade Commission. Department staff made a presentation at the Governor's Conference on Aging in September addressing “Becoming an Informed Investor”, and staffed an informational booth for seniors and others at the conference.

The Department continues its ongoing commitment to the education of Idaho's youth. The Department offers its expertise to Idaho's high school students through presentations given by Department representatives throughout the year. Presentations were made to 27 classes this year covering topics such as Securities and Investing Basics, Investment Fraud and How to Avoid It, Basics of Consumer Credit and Mortgage Lending, Consumer Fraud Prevention, and First-Time Home Buying.

Financial Literacy Month 2005 – Joining state securities regulators and a broad-based coalition of consumer groups and industry members, including the Idaho Financial Literacy Coalition, the Department participated in the seventh annual Financial Literacy Month during the month of April. During the month, the Department made presentations at four Idaho high schools and educated 291 students. We visited six senior and assisted living centers around the state and presented to 360 seniors. Four press releases were issued during the month, including an announcement of the Governor's Financial Literacy Month Proclamation, information on

stored value cards, a list of the top ten threats to our citizen's financial future, and a warning about "phishing" schemes.

Idaho Financial Literacy Coalition – The Department remained actively involved in the Idaho Financial Literacy Coalition (IFLC). The IFLC is comprised of a broad array of individuals from government, education, segments of the financial services industry, and for-profit and non-profit groups. The mission of the IFLC is to improve the quantity and quality of information and educational programs related to personal finance by providing resources and instruction to educators, youth leaders, and others in need of assistance or at financial risk. The Department continued its support for this mission through participation in IFLC's membership board and the initiatives adopted by it.

Industry and Regulatory Cooperation and Coordination – The Department makes significant efforts to coordinate regulatory matters with industries and other regulatory agencies. Such coordination and cooperation is increasingly important in an interstate, international and electronic commercial world. The Department meets regularly with industry trade associations and other state and federal regulators. New this year is the Department's signing of agreements with the Financial Crimes Enforcement Network (FinCEN) and the Internal Revenue Service (IRS). Under federal law, these agencies have jurisdiction to enforce the federal Bank Secrecy Act (BSA). The agreements will facilitate information sharing between the Department, FinCEN and the IRS regarding Idaho financial institutions' compliance with the BSA. These agreements are intended to increase efficiencies and enforcement of the BSA to detect and deter money laundering and terrorism.

The Department has also continued to work as a participant on the Conference of State Bank Supervisors (CSBS) Nationwide Automated Mortgage Licensing Taskforce. There is broad support within and outside industry for this project. The National Association of Securities Dealers (NASD) has been selected as the vendor for the project. The NASD operates the nationwide securities and investment advisor databases used by all the states. Twenty states, including Idaho, will test the new system once it becomes operational.

The Department also participated in a national multi-agency operation directed at telemarketing fraud. Working with the U.S. Department of Justice, the FBI, the Postal

Inspection Service, the Bureau of Immigration and Customs Enforcement, the Royal Canadian Mounted Police, the Federal Trade Commission, the Securities and Exchange Commission, the Commodity Futures Trading Commission and other states, the Department provided information on an Idaho telemarketing fraud case for inclusion in the fraud sweep event.

Securities Investor Education Fund – The Department continues to stress the overall importance of financial literacy among Idahoans as a means to reduce the number of fraud victims and other investment related complaints. The Securities Investor Education Fund, established as part of the Uniform Securities Act (2004), provides a source of funding for securities investor education and training. As of September 1, 2004, monies received as part of civil penalties and administrative fines have been used to establish a fund (up to \$50,000) for the education of Idaho investors. The SIEF was fully funded as the result of the global settlement of the research analyst cases this year.

Smart Women, Smart Money Financial Conference – Once again, the Department provided monetary sponsorship, speakers, staff support and an information booth for this important annual conference hosted by the Office of the State Treasurer. The conference is free to all attendees, with the primary purpose of educating women in financial matters. The Department handed out over 1,000 brochures and books to those in attendance, including “The Wall Street Journal Guide to Understanding Personal Finance”, “How to Avoid Identity Theft”, and “Consumer Handbook to Credit Protection Laws”.

INDUSTRY RESULTS IN IDAHO

Banking In Idaho – Despite several interest rate increases by the U.S. Federal Reserve and coincidental to continued improvement in the state’s economy, total assets in Idaho state-chartered banks increased by \$517 million during calendar year 2004, and deposits grew by \$416 million. Net income of Idaho’s state-chartered banks also increased during the year to compliment the robust growth in community bank assets.

Credit Unions in Idaho – Idaho state-chartered credit unions showed modest, but positive growth during the year. Total assets for state-chartered credit unions increased by more than \$134.5 million to \$1.3 billion, an increase of 11.30%. As of December 31, 2004, aggregate net worth increased 10.82% to \$119.3 million. Deposits grew 10.49% to nearly \$1.2 billion, and member loans grew 13% to over \$944.6 million.

Consumer Finance – Consumer credit remains readily available in Idaho. This year, the Department had regulatory oversight responsibility for 750 licensed finance company and title lender office locations, 210 licensed payday lender office locations, and 1,586 licensed mortgage broker/lender office locations. In addition, the Consumer Finance Bureau had regulatory oversight responsibility for 182 Idaho-based licensed collection agency office locations and 382 out-of-state collection agency office locations. The number of collection agency solicitors/collectors authorized to operate in Idaho was 61,914 at fiscal year end.

The Securities Bureau processed approximately 74,000 submissions in fiscal year 2005, up 5.6% from the prior year, and through civil and administrative sanctions, obtained orders for approximately \$5.8 million in rescission for Idaho investors. Additionally, the Department continued its participation in the global enforcement settlements, this year settling with two more of the nation’s largest investment firms which resulted in a \$337,500 civil penalty to the Department, bringing total fines and penalties assessed by the Securities Bureau to approximately \$4.3 million.

FINANCIAL INSTITUTIONS BUREAU

Idaho Bank Act
Idaho Bank Holding Company Act
Idaho Financial Fraud Prevention Act
Idaho International Banking Act
Idaho Interstate Banking Act
Idaho Interstate Branching Act
Idaho Trust Institutions Act
Idaho Savings Bank Act
Business and Industrial Development Corporation Act
Idaho Credit Union Act

The Idaho Department of Finance was originally known as the Idaho office of “State Bank Commissioner” when it was first created over 100 years ago. Since then, the Department has regulated 344 banks and overseen 109 bank failures, 15 voluntary bank liquidations, and 117 bank mergers/acquisitions. The original *Idaho Bank Act* was 17 pages long; today, *The Idaho Bank Act* is over 90 pages, and the Financial Institutions Bureau now administers nine additional laws.

The Financial Institutions Bureau regulates, supervises, and examines state-chartered commercial banks, savings banks, credit unions, bank holding companies, trust companies, and business and industrial development corporations (BIDCOs). The Bureau is responsible for enforcement of the *Idaho Bank Act*, *Idaho Bank Holding Company Act*, *Idaho Financial Fraud Prevention Act*, *Idaho Interstate Branching Act*, *Idaho Interstate Banking Act*, *Idaho International Banking Act*, *Idaho Savings Bank Act*, *Idaho Trust Institutions Act*, *Idaho Credit Union Act*, and the *Business and Industrial Development Corporation Act*. Compliance with applicable laws is monitored by on-site examinations and off-site surveillance of all state-chartered financial institutions and licensees, and by investigations of complaints filed with the Department.

The Department continues to focus on increasing financial options for consumers, especially in rural areas, and actively strives to enhance services for Idaho residents and the industries it regulates. In addition to substantial asset growth in Idaho financial institutions, branch expansion activity remained robust around the state.

In recent years, financial modernization has eliminated many competitive barriers. The ever-changing face of the financial services industry continues to present business opportunities and regulatory challenges. In addition, rapid advances in technology have produced innovative methods of delivering financial products and services. The future will bring fresh challenges, and the Department is prepared to meet them by establishing and maintaining high, consistent standards and investing in its employees.

BANKING SECTION

The Banking Section is charged with the responsibility of supervising Idaho's state-chartered commercial banks, savings banks, and bank holding companies to ensure safe and prudent banking practices for the benefit of depositors and shareholders, to maintain public confidence in the banking system, to promote fair competition, and to encourage the continuation, maintenance, and preservation of the dual banking system. The Banking Section also supervises business and industrial development corporations (BIDCOs).

As of June 30, 2005, there were nine bank holding companies, thirteen commercial banks, and one business and industrial development corporation (BIDCO) under the Banking Section's direct supervision. The Banking Section is also the host state supervisor of eight branches of AmericanWest Bank, three branches of Bank of the West, four branches of Banner Bank, eight branches of FirstBank Northwest, two branches of Inland Northwest Bank, twelve branches of Sterling Savings Bank, and ten branches of Washington Trust Bank. As host state supervisor, the Banking Section has indirect supervision over seven out-of-state financial holding companies with banking operations in Idaho. Washington Mutual Bank converted to a federal charter in December of 2004.

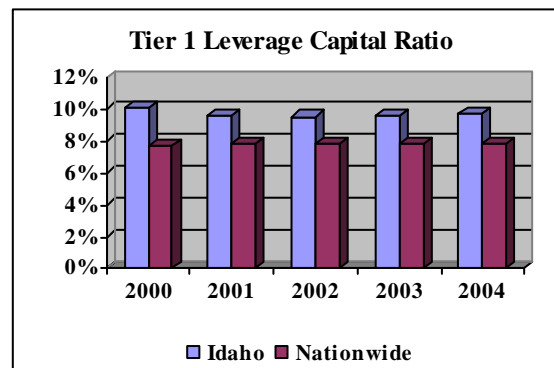
In fiscal year 2005, the Banking Section performed or participated in eleven full-scope commercial bank examinations, three full-scope trust examinations, and eleven information technology (IT) examinations.

Statutory Changes – The new *Idaho Financial Fraud Prevention Act* was passed during the 2005 legislative session to expand the Department of Finance's authority with regard to fraud committed against those financial institutions it regulates. Due to increasing fraud problems suffered by Idaho's financial institutions and their customers, the new law provides the Department with authority to investigate fraud cases, bring administrative or civil actions, or refer cases for criminal prosecution. The new law also provides for enhanced penalties if money is taken from a consumer's retirement account or home equity, or if the victim is elderly or a dependent adult.

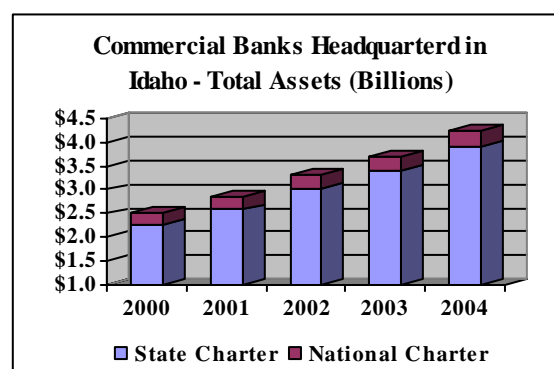
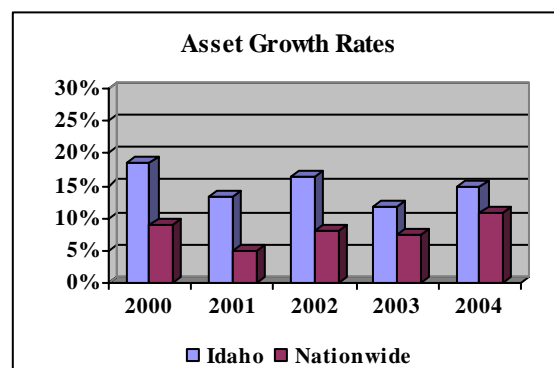
IDAHO BANKING INDUSTRY REVIEW

Performance and Condition of Idaho Banks – As noted in prior years, the large number of multi-state banking operations makes meaningful comparison of many key operating ratios difficult. Therefore, the focus of this report will continue to be on community banks headquartered in Idaho. The 14 banks used in the comparison are commercial banks. The data and ratios used are for the year ending December 31, 2004.

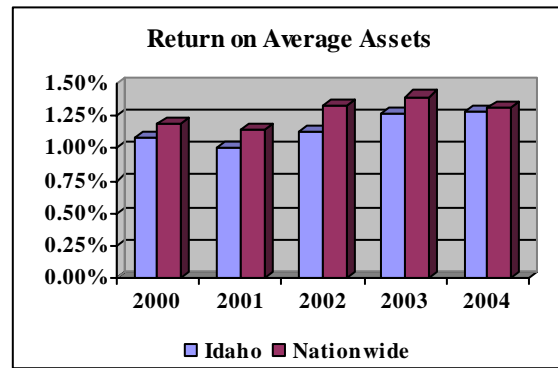
Capital – The Tier 1 Leverage Capital ratio for Idaho-chartered commercial banks increased from 9.52% in 2003 to 9.66% in calendar year 2004. This ratio for nationwide banks decreased slightly from 7.85% to 7.83% over the same period.



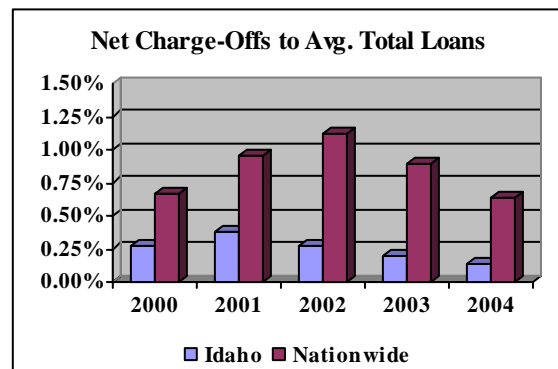
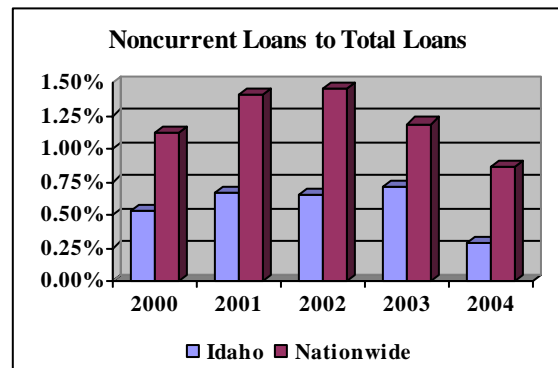
Growth – Idaho community banks continue to grow faster than the national average. In 2004, Idaho banks had asset growth of 14.71%, while the national average was 10.68%. As illustrated in the adjacent graph, this growth has slowed from the nearly 19% pace of 2000. Loan growth in 2004 significantly increased from 13.85% to 23.43% and continues to be well above the national growth figure of 10.75%. The above average growth in Idaho reflects the ability of the state's local community banks to effectively compete with the much larger banks that also operate nationwide or within broad regional markets.



Operating Performance – Operating results continue to be good, with Idaho banks achieving a return on assets (ROA) of 1.29%. This traditional measure of earnings performance was slightly higher than last year's 1.27% and appreciably higher than 2002's rate of 1.13%. The year-end 2004 ROA for all banks in the nation decreased from 1.40% to 1.31%.



Asset Quality – Asset quality at Idaho's commercial banks remains sound as key indicators remain better than national averages. The non-current loans to total loans ratio decreased significantly from .71% to .29% and was well below the national average, which also decreased from 1.19% to .86% at year-end 2004. Idaho banks also experienced a decline in loan losses, with the ratio of net charge-offs to average total loans falling from .19% in 2003 to .13% in 2004. This loss ratio is considered to be nominal and compares very favorably to the improved national average of .63%.



New Banks – The Department received one application to charter a new commercial bank in McCall, Idaho, during fiscal year 2005. The application was approved by the FDIC in August 2005 and by the Department in September 2005. Idaho First Bank has scheduled its Grand Opening for October 2005. There were no applications for chartering a savings bank during fiscal year 2005.

Mergers/Acquisitions – Effective November 2, 2004, Intermountain Community Bancorp, the parent company of Panhandle State Bank, based in Sandpoint, Idaho, acquired Snake River Bancorp, the parent company of Magic Valley Bank, Twin Falls, Idaho. This new division of

Panhandle State Bank will retain the “Magic Valley Bank” name. Panhandle State Bank also merged with Intermountain Savings Bank of Washington on May 13, 2005, extending its branching into Washington State.

Glacier Bancorp, Inc., the Kalispell, Montana-based parent company of Mountain West Bank, Coeur d’Alene, Idaho, acquired Citizens Bank Holding Company, the holding company for Citizens Community Bank, Pocatello, Idaho. The merger of the holding companies under the Glacier Bancorp, Inc., banner was effective March 31, 2005. Citizens Community Bank retains its name and Idaho charter, operating as a subsidiary bank under the Glacier Bancorp holding company structure.

Branching Activity – Branching activity remained strong, and state-chartered banks headquartered in Idaho received approval for the following branches during Fiscal Year 2005:

Bank Name	Branch Location/ Approval Date	Date Opened
D.L. Evans Bank	Pocatello, Idaho August 24, 2004	October 14, 2004
Idaho Independent Bank	Ketchum, Idaho August 24, 2004	November 16, 2004
Farmers & Merchants State Bank	Kuna, Idaho September 7, 2004	November 29, 2004
Farmers & Merchants State Bank	Boise, Idaho November 30, 2004	May 23, 2005
Mountain West Bank	Meridian, Idaho January 11, 2005	Opening Pending
Mountain West Bank	Bonn timer Ferry, Idaho March 14, 2005	May 23, 2005
Idaho Independent Bank	Star, Idaho January 21, 2005	July 21, 2005
Farmers & Merchants State Bank	Boise, Idaho March 11, 2005	Opening Pending
D. L. Evans Bank	Nampa, Idaho March 21, 2005	June 1, 2005

Mountain West Bank	Eagle, Idaho June 6, 2005	Opening Pending
D. L. Evans Bank	Hailey, Idaho June 6, 2005	August 8, 2005
Mountain West Bank	Nampa, Idaho June 28, 2005	Opening Pending
Mountain West Bank	Coeur d'Alene, Idaho June 28, 2005	Opening Pending

Washington state-chartered banks operating in Idaho opened the following additional branches during the fiscal year:

Bank Name	Branch Location/ Date Opened
Washington Trust Bank	Boise, Idaho November 8, 2004
Sterling Savings Bank	Boise, Idaho April 25, 2005

Interstate/Interagency Supervision – The Department works closely with federal and state regulatory agencies in order to provide seamless supervision, minimize disruption and costs for the banking industry, and effectively utilize supervisory/regulatory resources. The primary tool in this endeavor is close coordination of examinations. Teams for commercial, trust, and information technology examinations frequently include both state and federal examiners. The Department also continues to provide and support a “single point of contact” approach for state-chartered institutions operating on a multi-state basis.

Accreditation – The Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS) have established accreditation standards for both bank and credit union supervision and regulation. The accreditation process requires a detailed review of all factors needed to have a fully functional regulatory organization. The bank and credit union sections were initially accredited in 1990. Every year the accreditation committee requires updated information to maintain accredited status, and the sections have been continually accredited. A full-scale re-accreditation occurs every five years and was last renewed in 2005.

TRUST DEPARTMENTS AND TRUST COMPANIES

Bank Trust Departments

Bank of Idaho, Idaho Falls, Idaho
Farmers & Merchants State Bank, Meridian, Idaho
The Bank of Commerce, Idaho Falls, Idaho

The Department of Finance is responsible for enforcing the *Idaho Trust Institutions Act* and currently supervises the trust departments of

three state-chartered banks. The activities of these trust departments are centered in personal trusts, agency accounts, safekeeping and non-complex employee benefit accounts. The employee benefit accounts are primarily self-directed IRAs and 401(k) accounts. The one trust department that accepts corporate trusts had seven issues totaling \$55 million at year-end 2004.

Total trust assets under supervision increased by 11.2% during the year to \$208.6 million as of December 31, 2004, consisting of \$86.4 million in managed assets, \$51.1 million in non-managed assets, and \$71.1 million in custody/safekeeping assets.

The Department has approved two out-of-state trust companies to operate in Idaho. These companies—Morgan Chase Trust Company (Sioux Falls, South Dakota) and U.S. Trust Company of Delaware (Wilmington, Delaware)—have no offices in Idaho. Supervision of these out-of-state trust companies is handled in accordance with the terms of the Nationwide Cooperative Agreement for Supervision and Examination of Multi-State Trust Institutions, with the home state regulator as the single point of contact.

BUSINESS AND INDUSTRIAL DEVELOPMENT CORPORATIONS

On July 1, 1989, the *Business and Industrial Development Corporation Act* became effective, authorizing an alternative form of financial institution. The Act authorizes the formation of business and industrial development corporations (BIDCOs) to provide financing and management assistance to new or expanding companies.

Working closely with the Small Business Administration, other federal financial assistance programs, and traditional commercial lenders, BIDCOs are licensed to increase the level and quality of financial services available to the small business community in Idaho. This assistance has led to the creation or retention of an estimated 804 permanent jobs in the state. The only BIDCO currently licensed in Idaho is The Idaho Company, located in Idaho Falls.

The Idaho Company – Activity for Calendar Year 2004	Number	Dollar Amount
Number and dollar amount of financing assistance provided to business firms:	5	\$879,610
Estimated number of jobs created since inception:	436	NA
Estimated number of jobs retained since inception:	368	NA
Number and dollar amount of financing assistance provided to minority-owned and woman-owned business firms:	0	0
Number and dollar amount of financing assistance provided to minority-owned and woman-owned business firms since inception:	24	\$1,985,989

CREDIT UNION SECTION

The Credit Union Section is charged with the responsibility of regulating all Idaho state-chartered credit unions and ensuring compliance with the *Idaho Credit Union Act* and numerous federal regulations.

The Department enjoys an excellent working relationship with other state and federal credit union regulators and a private insurer. The Credit Union Section is an active participant in the National Association of State Credit Union Supervisors (NASCUS). NASCUS actively coordinates with all state credit union regulatory agencies and the National Credit Union Administration (NCUA) on a variety of credit union regulatory issues.

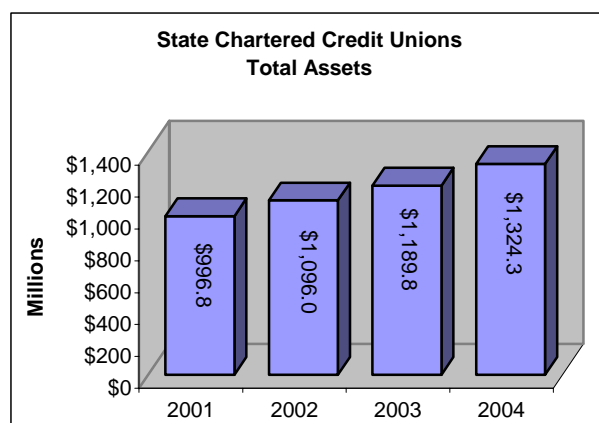
Three Washington state-chartered credit unions and one California state-chartered credit union maintain branch offices in Idaho. Washington-chartered Horizon Credit Union has branches in Coeur d'Alene, Post Falls, and Sandpoint; Numerica Credit Union has two branches in Coeur d'Alene; Global Credit Union has branches in Post Falls, Moscow, Coeur d'Alene and Kellogg. California-chartered Silverado Credit Union has a branch in Nampa.

During fiscal year 2005, there were three mergers involving Idaho state-chartered credit unions: Boise Credit Union merged with Idahy Federal Credit Union; Canyon Teachers Credit Union merged with Capital Educators Federal Credit Union; and Coeur d'Alene Teachers Credit Union merged with Numerica Credit Union. The number of state-chartered credit unions has been reduced to 42. Also during this time period, Idaho Central Credit Union received approval for two new branches in Boise and Idaho Falls.

Performance and Condition of Idaho

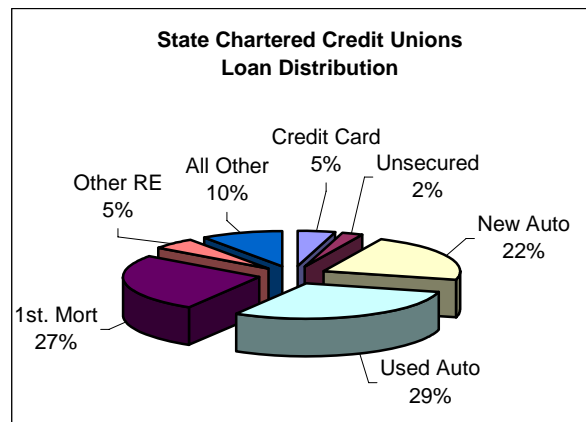
Credit Unions – The following information is derived from the consolidated Call Reports filed by state-chartered credit unions in Idaho for the period ending December 31, 2004.

The credit union industry as a whole remains healthy. During 2004, this industry experienced high growth in assets, shares, and loans with a

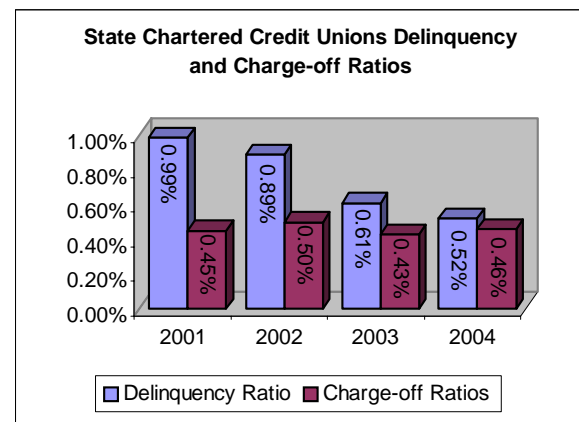


moderate growth in investments. Net income decreased \$73 thousand from \$13 million in 2003 to \$12.3 million, primarily due to an increase in operating expenses and provision for loan and lease loss expenses. Total assets increased \$134.5 million, or 11.30%.

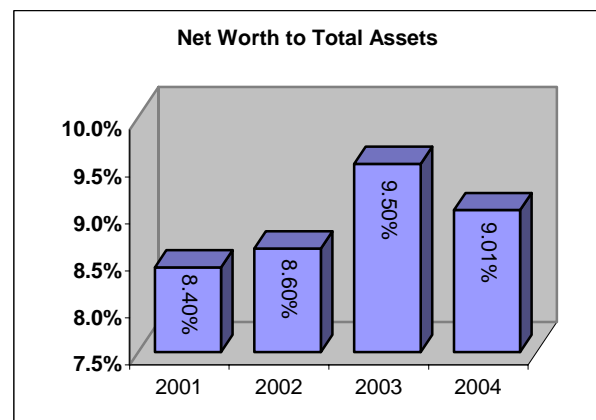
Loan Trends – Total loans grew 13% in 2004, or \$108.7 million, to \$944.6 million. This growth occurred in the new auto and first mortgage loan categories. At the same time, total shares grew at a slower rate (10.5%) than loans, causing the loan-to-share ratio to increase from 78.43% in 2003, to 80.21% in 2004.



Delinquency Trends – The loan delinquency rate decreased slightly from 0.61% in 2003, to 0.52% in 2004, as a result of increased loans and a slight increase in charge-offs. The amount of loans subject to bankruptcy in 2004 decreased by \$132 thousand to \$4.3 million, along with the number of bankruptcies filed, which decreased from 724 in 2003 to 670 in 2004.



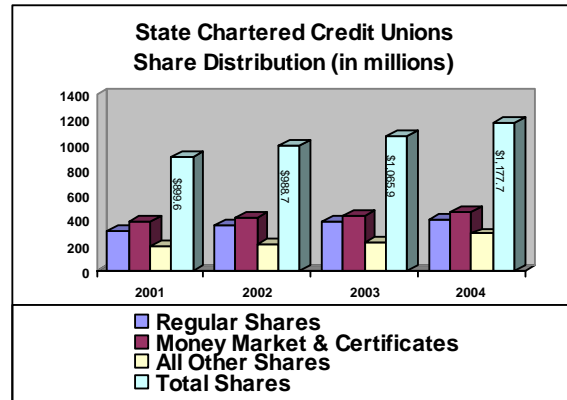
Net Worth - Net worth increased 10.82% or \$11.7 million in 2004. The Net Worth to Assets ratio decreased slightly from 9.05% in 2003 to 9.01%, primarily due to asset growth of 11.31% exceeding net worth growth of 10.81%.



In 2004, net income decreased \$732 thousand. Three main factors contributed to this decrease:

an increase in operating expenses of \$2.7 million, a \$729 thousand increase in the provision for loan and lease loss expense, and a decrease in the cost of funds of \$1.9 million. The return on average assets ratio decreased from 1.14% in 2003 to .98%.

Share Trends – Total shares increased 10.49% or \$111.8 million during 2004, compared to 7.81% or \$77.2 million during 2003. Regular shares represent 35.02% (\$412.4 million) of total shares while share drafts represent 17.54% (\$206.6 million). Money market accounts and certificates of deposit represent 40.07% (\$471.9 million) of total shares, as compared to 42.80% in 2003.



Liquidity Trends – At December 31, 2004, credit unions had approximately 15.47% of total assets in cash and short-term investments, a slight decrease from 2003. Even though the percentage decreased, these assets increased \$205 million causing credit unions to continue to re-price assets downward.

Summary - The trends reported in 2004 indicate that credit union management will need to continue to adjust their balance sheets in an effort to address potential liquidity and funds management risk. Credit unions experienced loan growth in excess of share growth by 2.5%.

Overall, state-chartered credit unions in Idaho remain financially strong. They continue to encourage thrift among their members, and ensure that their members have access to credit and basic financial services. Idaho state-chartered credit unions are healthy and operate within their charters and the Idaho Credit Union Act.

CONSUMER FINANCE BUREAU

Idaho Credit Code
Idaho Collection Agency Act
Idaho Residential Mortgage Practices Act
Idaho Mortgage Company Act
Idaho Escrow Act

The Consumer Finance Bureau is the regulatory and licensing authority for regulated lenders under the *Idaho Credit Code*. Regulated lenders include finance companies, financial institutions, payday lenders, and title lenders. Provisions of the Credit Code apply to retail sellers of goods and services who extend credit to their customers, as well as to creditors who take assignment and undertake collection of payments from debtors arising from consumer credit transactions.

The Bureau is committed to providing reasonable regulation of mortgage brokers, mortgage lenders, mortgage loan originators, and mortgage servicing providers operating in Idaho under the *Idaho Residential Mortgage Practices Act* and the *Idaho Mortgage Company Act*.

The Bureau is responsible for the licensing and enforcement provisions of the *Idaho Collection Agency Act*. Collection agencies located in Idaho, and those from other states that collect from Idaho residents, are required to have a permit under the Act and comply with certain ethical obligations.

Finally, during the 2005 legislative session, the Idaho Legislature adopted the Idaho Escrow Act and assigned regulatory oversight responsibilities to the Department beginning in fiscal 2006.

Compliance with the above laws is accomplished by on-site examinations of all licensees, and by investigations of complaints filed with the Bureau. The goal of the Bureau is to assure the availability and quality of consumer finance services, and ethical debt collection practices. The Bureau currently has a ten member staff.

IDAHO CREDIT CODE

The *Idaho Credit Code* (ICC) is a state law that regulates certain terms and conditions of consumer credit in Idaho. “Consumer credit” is a credit sale or loan in which the credit is extended by a person who is regularly engaged in the credit business, to a borrower who will use it for a personal, family or household purpose, and in which a finance charge is made or the debt is payable in installments.

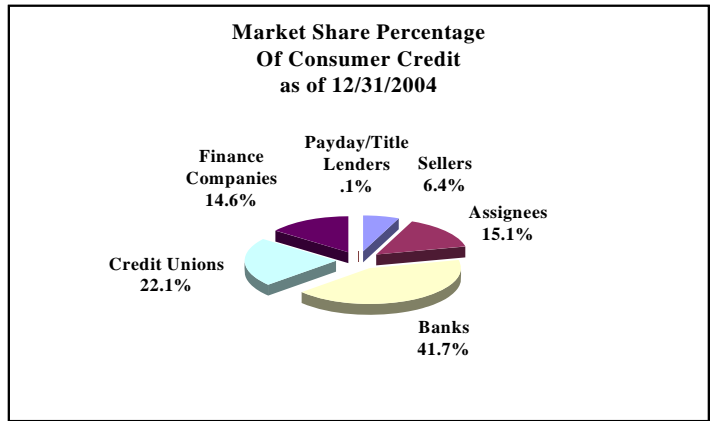
The ICC does not apply to first mortgages or home refinance loans. Most other consumer transactions such as automobile loans, second mortgages, and the use of credit cards are subject to the ICC. Payday loans, in which a postdated check is given to the lender, and vehicle title loans, in which a vehicle title is given to the lender as security for the loan, are also considered consumer loans under the ICC. The ICC includes uniform lending procedures, licensing requirements, and consumer protection provisions for the payday lending industry in Idaho. The ICC also includes other generally applicable consumer protection provisions, such as a consumer’s right to be informed about the costs of a loan before it is made, and the right to cancel certain home solicitation sales and real estate transactions.

Licensing/Lending Activity – Under the ICC, some creditors must file notification with the Bureau while others must obtain a regulated lender license. Creditors engaging in regulated consumer credit transactions in Idaho, and creditors having an office in Idaho who take assignment and undertake direct collection of payments from debtors arising from regulated consumer credit transactions, must file notification. The notification form and fee must be filed within 30 days of commencing business in Idaho and on or before January 31 of each following year. An annual tax on the unpaid balances arising from consumer credit transactions made in Idaho is also required on or before January 31 of each year.

Creditors engaged in the business of making regulated consumer loans, or taking assignment of and undertaking direct collection of payments from debtors arising from regulated consumer loans, must also obtain a regulated lender license. In addition to filing notification and paying the annual fee and tax on or before January 31 of each year, regulated lenders must file composite annual reports on or before May 31 of each year.

During fiscal year 2005 lending activity by state licensed regulated lenders ranged from a single title lender with approximately \$50.00 in loans to a national finance company with nearly a billion dollars in outstanding Idaho loans. The growth of regulated lenders is split between finance companies, including second mortgage lenders, and payday/title lenders. As of June 30, 2005, Idaho had 750 licensed regulated lenders, which includes title lenders and regulated lenders also holding a dual license as a mortgage lender, and 210 licensed payday lender offices. In addition, 2,069 sellers and 92 assignees filed notification with the Bureau.

Statistical Data – The accompanying graph demonstrates the percentage of consumer credit held by each of the six segments of the consumer lending industry in Idaho.

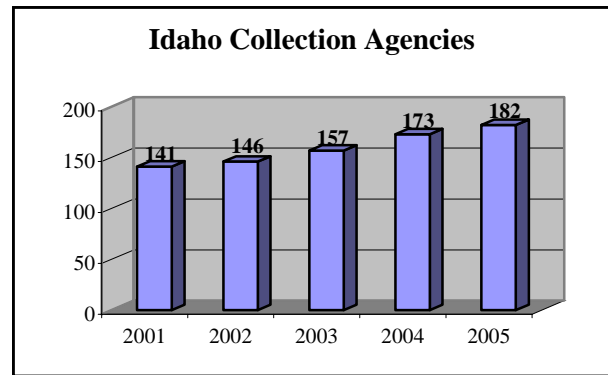


Compliance/Enforcement – In addition to answering consumer inquiries and complaints, the Bureau staff conducts routine and “for-cause” on-site examinations of regulated lenders. The Bureau is committed to examining offices of payday and title lenders situated in Idaho annually to ensure that their business practices comply with Idaho Credit Code standards. During the past fiscal year, the staff conducted 122 examinations of payday and title loan offices and 2 other regulated lender offices. The Department took an administrative enforcement action against one payday lender licensee, addressing the misuse of non-public personal financial information.

IDAHO COLLECTION AGENCY ACT

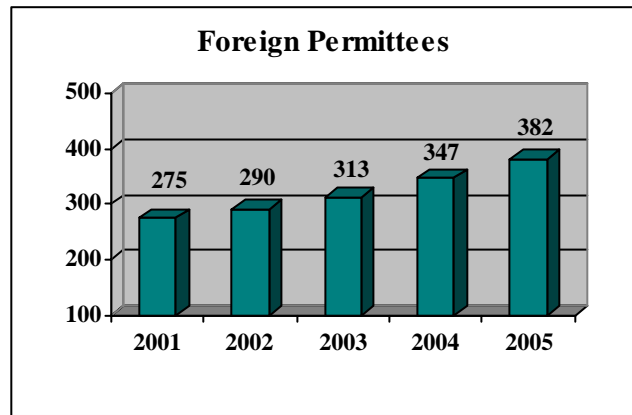
The Consumer Finance Bureau oversees collection agencies, both those located in Idaho and agencies from other states that collect from Idaho residents, under the *Idaho Collection Agency Act* (Act). Consumers have an obligation to pay their debts. However, collection agencies must deal openly, fairly, honestly and without deception

when collecting debts. This includes complying with the Federal Fair Debt Collection Practices Act.



Licensing – Under the Act, the following activities cannot be conducted in Idaho without obtaining a collection agency permit:

- Operating as a collection agency, debt counselor, or credit counselor;
- Engaging, either directly or indirectly, in the business of collecting or receiving payment for another of any account or bill;
- Soliciting or advertising for the right to collect or receive payment for another of any account or bill;
- Selling or distributing any system of collection letters in which the name of any person other than the creditor to whom the debt is owed appears; or
- Engaging in the business of credit repair.



Collection agencies licensed in other states may obtain a “foreign permittee” permit if they meet certain conditions under the Act. All collection agencies must renew their permits and pay an annual fee prior to March 15 of each year.

As of June 30, 2005, Idaho had 182 Idaho collection agencies, and 382 foreign permittees. These agencies had a total of 61,914 solicitors/collectors registered with the Department.

Compliance/Enforcement – In addition to answering consumer inquiries and complaints, the Bureau staff conducted 30 routine on-site examinations of Idaho collection agency offices during fiscal year 2005. The Department issued approximately 28 letters of caution to individuals and companies engaged in unlicensed debt collection, credit counseling, or credit repair informing them that their activities were in violation of Idaho law. Three Cease and Desist Orders were entered and remain in place against companies that operated as collection agencies or debt/credit counselors in Idaho without the required approval and permit from the Department. Two companies entered into administrative settlement agreements as a result of violations of the Act. The Department denied one application for a collection agency permit due to the applicant's prior unlawful collection activities in Idaho.

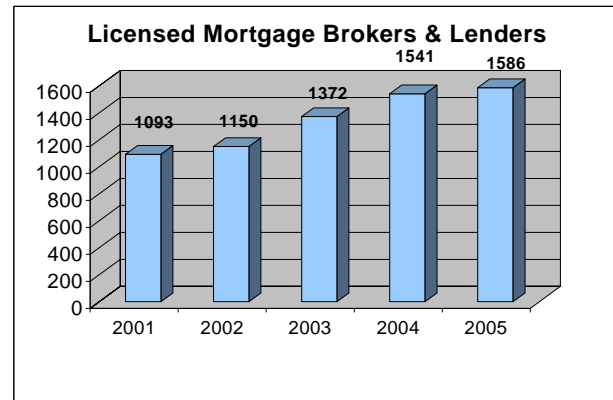
IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT AND IDAHO MORTGAGE COMPANY ACT

Under the *Idaho Residential Mortgage Practices Act* (Act), all non exempt office locations from which mortgage brokering or mortgage lending activities are conducted are required to be licensed with the Department. Due to amendments to the Act in 2004 and legislative appropriation in 2005, beginning in January 2006 licensure will also extend to individuals who originate residential mortgage loans for certain mortgage broker and lender licensees. The purpose of the Act is to ensure that companies and individuals offering mortgage services meet certain minimum standards and that consumers are protected from unfair practices.

Mortgage brokers are companies that assist borrowers in obtaining a mortgage loan from a bank or other lender. Mortgage lenders fund mortgage loans and may also perform mortgage brokering activities. Loan originators assist in the preparation of residential mortgage loan applications for the purpose of obtaining a loan through a mortgage broker or lender. The Act applies to those making first mortgage loans as well as to those making subordinated lien loans secured by residential real property.

In addition, the Department has authority under the *Idaho Mortgage Company Act* to ensure that mortgage companies are properly handling borrower reserves, impound and escrow accounts, as well as properly applying borrower payments.

Licensing – The Act requires that companies obtain a license for each office from which they conduct mortgage business. Licensees are not required to have a physical office location in Idaho. In fact, the Department has license holders nationwide. The Department issued 585 mortgage broker/lender licenses during fiscal year 2005. As of June 30, 2005, the Department had 1,586 active mortgage broker/lender licenses in effect. Overall, licensing numbers have increased 45% during the past five-year period. Effective January 1, 2006, mortgage loan originators operating in Idaho will be required to obtain a license under the Act.



Compliance – The Bureau conducts routine and “for-cause” on-site examinations of mortgage brokers and lenders to verify that business is being conducted in accordance with the Act. Beginning in January 2006, these examinations will also extend to licensed loan originators. The Bureau conducted 17 mortgage broker/lender examinations in fiscal year 2005. This fell short of the Bureau’s goal of examining approximately 30% of all in-state mortgage broker/lender licensees, and an overall 10% of all mortgage broker/lender licensees each year. However, the Bureau is committed to developing greater efficiencies to meet its goal. The Bureau also handles customer complaints and inquiries. In fiscal year 2005, the Department received and processed one hundred twelve (112) mortgage-related written complaints.

Enforcement – The Department initiated 12 administrative actions and 1 civil action against licensed mortgage brokers/lenders, as well as against entities that should have been licensed but were not. These enforcement actions addressed a variety of improper lending issues, as well as license application and surety bond deficiencies. Details of these actions are provided in Exhibit VI.

IDAHO ESCROW ACT

The 2005 Idaho Legislature enacted the Idaho Escrow Act, assigning regulatory oversight responsibilities to the Idaho Department of Finance over independent Idaho escrow agencies. Beginning in fiscal 2006, Idaho escrow agencies, as defined in the Idaho Escrow Act, will be required to obtain a license prior to engaging in escrow activities in Idaho.

SECURITIES BUREAU

Uniform Securities Act

Idaho Commodity Code

Control Share Acquisition Act

Business Combination Act

Idaho Money Transmitters Act

Endowment Care Cemetery Act

Continuing Care Disclosure Act

The Securities Bureau administers and enforces several consumer and business protection statutes.

Through the authority of the *Uniform Securities Act* and the *Idaho Commodity Code*, the Bureau regulates the sale of investment securities and those individuals and entities that offer investment opportunities to the public. The Bureau's objectives in administering and enforcing these statutes include promoting the integrity and vitality of state and federal financial markets, protecting the investing public from fraudulent investment schemes, and assisting legitimate businesses in their efforts to raise capital in Idaho.

In addition, the Bureau has limited duties under Idaho's *Control Share Acquisition Act*, *Business Combination Act*, and *Continuing-Care Disclosure Act*. Also, the Bureau ensures that endowed care cemeteries properly handle the funds and trust placed with them through administration of the *Endowment Care Cemetery Act*.

Finally, the Securities Bureau is responsible for the licensing and enforcement provisions of the *Idaho Money Transmitters Act*. A money transmitter includes any business engaged in receiving money for transmission by any and all means and any business that issues payment instruments to purchasers (e.g., money orders).

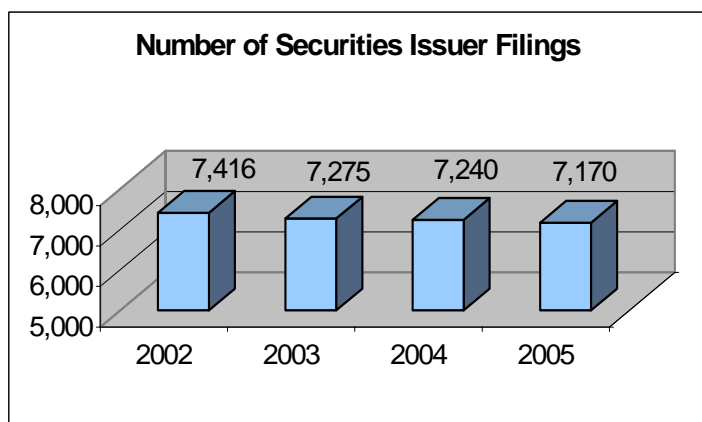
Where individuals or entities violate these statutes, appropriate remedies are sought using statutory and administrative enforcement authority. The Bureau also provides assistance in criminal prosecutions when necessary.

UNIFORM SECURITIES ACT

The *Uniform Securities Act* (Act) seeks to preserve and promote legitimate securities markets by assisting companies in their attempts to raise capital and prevent investment fraud. While the Act is designed to protect investors from fraud, it does not protect investors from the possibility of investment loss resulting from securities price movements, market changes or business failures. The Act requires that persons who solicit investments provide complete disclosure of all the important aspects of the investment being promoted. With this information, investors are empowered to make reasoned investment decisions.

Securities Issuer Filings –

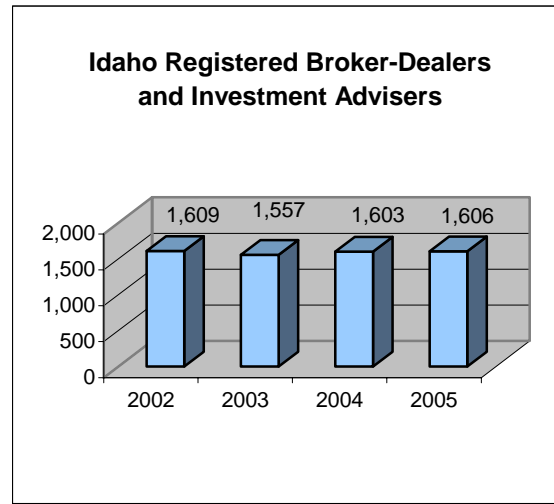
Generally, any public offering of newly issued securities must be registered with Securities Bureau before they are offered to public investors. The review is designed to determine whether the offering materials provide full, fair and accurate disclosure of all material information and whether the offering materials contain fraudulent terms or is structured unfairly.



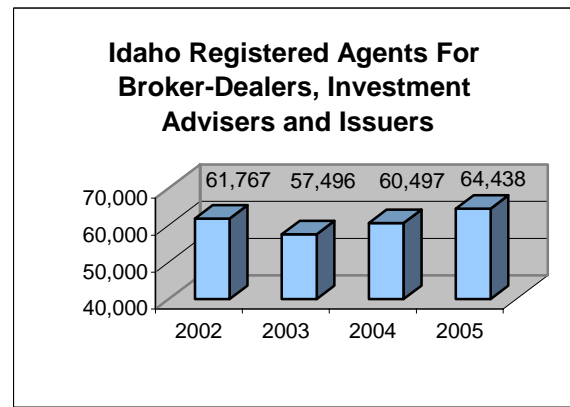
Registration of Firms and Agents – The Bureau registers and provides oversight for most broker-dealers, securities sales agents and investment advisory representatives doing business in or from Idaho. Additionally, the Bureau registers and is the sole regulator for investment advisory firms that are located in Idaho and manage assets of \$25 million or less. Every application for registration is examined either electronically or manually prior to approval.

As shown in the accompanying charts, the number of firms and agents coming under state supervision remained constant with fiscal year 2004 levels.

The Bureau has oversight responsibility for over sixteen hundred broker-dealer firms and state registered investment adviser firms. This oversight also extends to more than 64,000 individuals who currently hold Idaho registrations as broker-dealer agents, investment adviser representatives and issuer agents. This represents a 5.6% increase over the prior fiscal year.



Compliance – In an effort to assure that the securities industry is complying with the Idaho Uniform Securities Act, registration amendments are regularly reviewed to consider changes in the applicant’s business, ownership and new disciplinary information. Bureau staff also investigates investor complaints, reviews advertising and analyzes



financial data on broker-dealer and investment adviser firms. Finally, periodic on-site examinations of broker-dealer and investment adviser offices are conducted to verify compliance with the Act and to educate industry professionals. When a violation is discovered, the Department determines whether sanctions are appropriate. The Bureau may seek fines, deny, suspend or revoke licenses or initiate administrative or court action.

Enforcement – As an enforcement agency, one of the Bureau’s missions is to protect Idaho investors from fraudulent investment schemes. Bureau professionals investigate complaints of possible violations of the Act, negotiate administrative sanctions, bring civil lawsuits and assist in criminal prosecutions to enforce the law. The potential financial impact of securities cases under investigation during the fiscal year totaled over \$32.7 million.

Enforcement Actions Taken – Securities and commodities enforcement actions taken by the Securities Bureau are varied and complex. The Department initiated or completed 20 actions including civil lawsuits and administrative sanctions, against 37 defendants or respondents during fiscal 2005. Details of the administrative and civil court actions filed or completed by the Department during fiscal 2005 are provided in Exhibit V.

Rescissions & Refunds – As a result of the Bureau’s regulatory enforcement efforts, Idaho residents were offered, or awarded in judgments by the courts, more than \$5.7 million in refunds on their securities investments. This total includes amounts refunded to Idaho investors due to the administrative enforcement actions described earlier as well as voluntary rescission offers made in accordance with the Act.

Civil Penalties and Administrative Fines –The Bureau assessed total fines and penalties of approximately \$3.5 million for fiscal year 2005.

IDAHO MONEY TRANSMITTERS

The Department of Finance is charged with the responsibility of administering and enforcing the *Idaho Money Transmitter Act*. A “money transmitter” is defined as any business engaged in receiving money for transmission or transmitting money within the United States or to locations outside the United States by any and all means including, but not limited to, payment instruments, wire transfers, and facsimile or electronic transfers. At fiscal year end, the Department had 44 licenses issued under this statute.

ENDOWMENT CARE CEMETERIES

A “perpetual” or “endowed care cemetery” is a cemetery where lots are sold under the representation that the cemetery and lots will receive perpetual maintenance and oversight. This “endowed care” is provided free of further cost to the purchaser after payment of the original purchase price for a lot or burial space. All “endowed care” or “perpetual care” cemeteries in Idaho are required to be registered with the Securities Bureau. The purpose of the *Endowment Care Cemetery Act* is to ensure that sound business practices essential to the continued furnishing of endowed or perpetual care are followed.

An endowed or perpetual care cemetery is required to establish an irrevocable trust fund in the sum of at least \$50,000 for the care of the cemetery. The income from the trust fund may only be used for the general care, maintenance, and embellishment of the cemetery.

There are 12 endowed care cemeteries licensed in Idaho. Each of these cemeteries is required to submit a renewal fee and form every year, along with a financial statement for its trust account. The Securities Bureau conducts periodic audits of endowed care cemeteries to verify that the trust funds are being handled properly.

Name of Cemetery	Location
Cloverdale Memorial Park Assoc., Inc.	Boise
Coeur d'Alene Memorial Gardens, Inc.	Coeur d'Alene
Filer Cemetery Association, Inc.	Filer
Hillcrest Memorial Gardens, Inc.	Caldwell
Lewis-Clark Memorial Park, Inc.	Lewiston
Mountain View Memorial Park, Inc.	Boise
Pinecrest Memorial Park	Sandpoint
Rosedale Memorial Park, Inc.	Payette
Shoshone Memorial Gardens, Inc.	Pinehurst
Sunset Memorial Park	Twin Falls
Terrace Lawn Memorial Gardens, Inc.	Meridian
Twin Falls Cemetery Association	Twin Falls

IDAHO COMMODITY CODE

The *Idaho Commodity Code* is designed to reduce fraud by outlawing certain commodity investment contracts where the investor never receives delivery of the commodity. The statute provides an enforcement tool to prevent and prosecute illegal and fraudulent schemes involving commodity contracts and to maximize coordination with federal law and laws of other states. It has proven effective in Department lawsuits against fraudulent commodity investment schemes, including several enforcement cases during recent years.

CORPORATE TAKEOVER ACTS

In 1988, the Legislature adopted the *Control Share Acquisition Act* and the *Business Combination Act* to govern certain corporate mergers in Idaho. The first law gives shareholders more authority to decide the terms of a takeover and the second allows a

corporation to limit the effects of a takeover. There was no activity by the Department involving Idaho companies covered by these laws during the fiscal year.

CONTINUING-CARE DISCLOSURE ACT

Idaho's *Continuing-Care Disclosure Act* was enacted in 1988 in response to problems caused when residents of an Idaho nursing home lost their money due to embezzlement and mismanagement. The statute regulates entities that offer to provide long-term care and lodging after an advance fee payment often called an "entrance fee". Anyone wanting to offer this type of program is required to register with the Securities Bureau, provide detailed disclosure to purchasers, and adhere to several other requirements. No facility has yet registered to offer this type of program in Idaho.

SUPPORTING SERVICES BUREAU

This Bureau provides operational support to the Director and the chiefs of the other Bureaus in carrying out their program responsibilities. This support is provided through the development and maintenance of the accounting system and records for the Department; maintenance of personnel records; preparation and submission of the Department's budget; providing financial, management and statistical reports; coordination of the Department's business services; and, maintenance of the Department's information technology systems.

The following information regarding the Department is included in the following exhibits:

Exhibit II	Summary of Income and Expenses
Exhibit VII	Department of Finance Staff
Exhibit VIII	Americans with Disabilities Act Compliance Statement
Exhibit IX	Civil Rights Grievance Procedure

**DEPARTMENT OF FINANCE DIRECTORS/COMMISSIONERS
SINCE DATE OF ITS CREATION BY ACT OF LEGISLATURE IN 1905**

<u>Director/Commissioner</u>	<u>Term of Office</u>
C. C. Loveland	March 6, 1905 to June 1, 1907
W. S. Chaney	June 1, 1907 to March 6, 1909
William G. Cruse	March 6, 1909 to June 2, 1911
V. W. Platt	June 2, 1911 to February 1, 1913
A. E. Reid	February 1, 1913 to February 6, 1915
G. R. Hitt	February 6, 1915 to January 25, 1919
Jay Givson	January 25, 1919 to September 10, 1920
J. G. Fralick	September 10, 1920 to February 7, 1923
E. W. Potter	February 7, 1923 to February 1, 1931
Ben Diefendorf	February 1, 1931 to January 13, 1937
George W. Wedgwood	January 13, 1937 to January 1, 1939
G. L. Jenkins	January 1, 1939 to January 6, 1941
George W. Wedgwood	January 6, 1941 to January 4, 1943
G. L. Jenkins	January 4, 1943 to January 2, 1945
J. B. Newport	January 4, 1945 to December 28, 1946
William J. Sewell	December 28, 1946 to January 6, 1947
E. F. Haworth	January 6, 1947 to August 15, 1952
Austin Schauweiler	August 15, 1952 to May 14, 1954
R. U. Spaulding	June 17, 1954 to April 14, 1961
J. L. McCarthy	June 1, 1961 to July 9, 1965
Tom D. McEldowney (Acting)	August 10, 1965 to January 31, 1967
John D. Silva	February 1, 1967 to January 4, 1971
Tom D. McEldowney (Acting)	January 4, 1971 to August 29, 1971
Tom D. McEldowney	August 30, 1971 to March 31, 1987
Belton J. Patty	April 1, 1987 to January 1, 1995
Gavin M. Gee (Acting)	January 2, 1995 to March 13, 1996
Gavin M. Gee	March 13, 1996 to Present

EXHIBIT II

SUMMARY OF INCOME AND EXPENSES
July 1, 2004 through June 30, 2005

INCOME BY SOURCE

Dedicated Account	\$8,462,449.24
TOTAL INCOME COLLECTED	\$8,462,449.24

APPROPRIATION

Dedicated Account	\$3,660,900.00
TOTAL APPROPRIATION	\$3,660,900.00

EXPENDITURES

Personnel Costs	\$2,663,982.00
Operating Expenditures	\$777,569.00
Capital Outlay	\$141,966.00
TOTAL EXPENDITURES	\$3,583,517.00
BALANCE OF APPROPRIATION	\$77,383.00

EXPENDITURES BY MAJOR CLASSES

Salaries & Wages	\$1,997,452.00
Personnel Benefits	\$666,530.00
Communication Services	\$44,595.00
Employee Development & Other Services	\$109,664.00
Professional Services	\$49,217.00
Repairs & Maintenance Service	\$13,008.00
Administrative Services	\$7,859.00
DP Services	\$27,817.00
Employee Travel	\$161,308.00
Materials & Supplies	\$63,493.00
Insurance	\$1,500.00
Rentals & Operating Leases	\$98,139.00
Miscellaneous Operating Expenditures	\$200,969.00
Capital Outlay	\$141,966.00
TOTAL EXPENDITURES BY MAJOR CLASSES	\$3,583,517.00

PERSONNEL STATUS	POSITIONS AUTHORIZED	POSITIONS APPROPRIATED	POSITIONS FILLED
Full-Time Employees	44	44	43
Part-Time Employees	1	1	1
TOTALS	45	45	44

EXHIBIT III

STATE OF IDAHO
STATE-CHARTERED BANKS AND SAVINGS BANKS*
COMPARATIVE STATEMENT
Close of Business 12/31/04 and 12/31/03
(000's Omitted)

ASSETS	2004	2003	Difference
Cash and Balances Due From Depository Institutions:			
Noninterest-Bearing Balances and Currency and Coins.....	130,718	183,666	-52,948
Interest-Bearing Balances.....	54,128	54,802	-674
Held-to-Maturity Securities.....	111,626	112,883	-1,257
Available-for-Sale Securities.....	606,315	612,467	-6,152
Federal Funds Sold.....	47,983	61,530	-13,547
Securities Purchased Under Agreements to Resell.....	0	0	0
Loans and Lease Financing Receivables:			
Loans and Leases Held for Sale	47,234	50,106	-2,872
Loans and Leases, Net of Unearned Income	2,763,800	2,206,665	557,135
Less: Allowance for Loan and Lease Losses.....	39,997	34,808	5,189
Net Loans and Leases.....	2,723,803	2,171,857	551,946
Assets Held in Trading Accounts	1,041	0	1,041
Premises and Fixed Assets	82,348	64,495	17,853
Other Real Estate Owned	4,260	4,496	-236
Investments in Unconsolidated Subsidiaries	0	0	0
Customers' Liability on Acceptances Outstanding	0	0	0
Goodwill.....	32,404	21,765	10,639
Other Intangible Assets	2,384	1,883	501
Other Assets	77,289	64,847	12,442
TOTAL ASSETS	3,921,533	3,404,797	516,736
LIABILITIES			
Deposits:			
In Domestic Offices.....	3,207,600	2,791,547	416,053
Noninterest-Bearing	668,973	653,202	15,771
Interest-Bearing	2,538,627	2,138,345	400,282
Federal Funds Purchased.....	5,401	8,631	-3,230
Securities Sold Under Agreements to Repurchase	118,845	104,911	13,934
Trading Liabilities	0	0	0
Other Borrowed Money.....	168,399	145,973	22,426
Banks' Liabilities on Acceptances Executed and Outstanding.....	0	0	0
Subordinated Notes and Debentures.....	0	0	0
Other Liabilities.....	30,091	23,933	6,158
TOTAL LIABILITIES	3,530,336	3,074,995	455,341
EQUITY CAPITAL			
Perpetual Preferred Stock and Related Surplus	0	0	0
Common Stock.....	42,547	41,534	1,013
Surplus	235,888	196,349	39,449
Undivided Profits and Capital Reserves	114,143	91,070	23,073
Accumulated Other Comprehensive Income.....	2,290	4,133	-1,843
Other Equity Capital Components.....	-3,671	-3,374	- 297
TOTAL EQUITY CAPITAL	391,197	329,802	61,395
TOTAL LIABILITIES AND EQUITY CAPITAL	3,921,533	3,404,797	516,736

* Includes only state-chartered banks headquartered in Idaho.

Source: Federal Deposit Insurance Corporation

DECEMBER 31, 2004
BANK OF IDAHO
IDAHO FALLS, IDAHO
Charter No. 240
Charter Issued September 13, 1985
Incorporated July 17, 1985

OFFICERS:

Chief Executive Officer: William F. Rigby
President: Park Price
Chief Operating Officer: Jeffrey E. Jones
Chief Financial Officer: Jeff R. Manser

DIRECTORS:

Emma L. Atchley; Ralph M. Hartwell;
Kenlon P. Johnson; Harold L. Latin; Park Price;
John Rigby; William F. Rigby; Fred T. Thompson, Jr.;
Terri Timberman; Ronald R. Warnecke

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	5,707
Interest-Bearing Balances	2
Held-to-Maturity Securities	5,967
Available-for-Sale Securities	33,983
Federal Funds Sold	0
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	3,230
Loans and Leases, Net of Unearned Income.....	126,631
Less: Allowance for Loan and Lease Losses	1,892
Net Loans and Leases	124,739
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	4,474
Other Real Estate Owned.....	282
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	0
Intangible Assets.....	0
Other Assets.....	2,428
TOTAL ASSETS	180,812
LIABILITIES	
Deposits:	
In Domestic Offices.....	140,888
Noninterest-Bearing.....	44,524
Interest-Bearing	96,364
Federal Funds Purchased	1,800
Securities Sold Under Agreements to Repurchase.....	20,802
Trading Liabilities	0
Other Borrowed Money	1,219
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	707
TOTAL LIABILITIES.....	165,416
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	1,402
Surplus	9,014
Undivided Profits and Capital Reserves	4,894
Accumulated Other Comprehensive Income	86
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	15,396
TOTAL LIABILITIES AND EQUITY CAPITAL.....	180,812

DECEMBER 31, 2004
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COEUR D'ALENE, IDAHO
Charter No. 258
Charter Issued May 3, 2001
Incorporated October 16, 2000

OFFICERS:

President & Chief Executive Officer: Max Faller
Chief Financial Officer: Nora Boman

DIRECTORS:

Charles Clock; James Doty; Max Faller;
Stanley Feist; Joseph Haley; Mark Kontos;
John Marcheso; Richard Nordstrom; Ben Rolphe;
John Schovic; Wayne Sorensen; Craig Tedmon

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		2,566
Interest-Bearing Balances		1,556
Held-to-Maturity Securities		0
Available-for-Sale Securities		8,686
Federal Funds Sold		3,409
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		0
Loans and Leases, Net of Unearned Income.....	35,672	
Less: Allowance for Loan and Lease Losses	425	
Net Loans and Leases		35,247
Assets Held in Trading Accounts		0
Premises and Fixed Assets.....		552
Other Real Estate Owned.....		0
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		1,463
TOTAL ASSETS		53,479

LIABILITIES

Deposits:		
In Domestic Offices.....		45,330
Noninterest-Bearing.....	7,911	
Interest-Bearing	37,419	
Federal Funds Purchased		0
Securities Sold Under Agreements to Repurchase.....		0
Trading Liabilities		0
Other Borrowed Money		1,990
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		180
TOTAL LIABILITIES.....		47,500

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		3,239
Surplus		2,185
Undivided Profits and Capital Reserves		596
Accumulated Other Comprehensive Income		- 41
Other Equity Capital Components		0
TOTAL EQUITY CAPITAL.....		5,979

TOTAL LIABILITIES AND EQUITY CAPITAL.....	53,479
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DECEMBER 31, 2004
CITIZENS COMMUNITY BANK
POCATELLO, IDAHO
Charter No. 254
Charter Issued June 6, 1997
Incorporated April 17, 1996

OFFICERS:

President & Chief Executive Officer: Ralph G. Cottle
Chief Financial Officer: Terrill R. Schwartz

DIRECTORS:

Gary N. Blanchard; Michael J. Blodnick;
Ralph G. Cottle; Thomas J. Holmes;
W. James Johnston; William A. Knick; James E. Lee;
Diana B. Lyon; Kenneth A. Satterfield; Alan E. Stanek

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	3,302
Interest-Bearing Balances	6,090
Held-to-Maturity Securities	5,000
Available-for-Sale Securities	0
Federal Funds Sold	7,650
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	1,767
Loans and Leases, Net of Unearned Income.....	83,363
Less: Allowance for Loan and Lease Losses	1,340
Net Loans and Leases	82,023
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	4,285
Other Real Estate Owned.....	0
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	0
Intangible Assets.....	0
Other Assets.....	2,849
TOTAL ASSETS	112,966
LIABILITIES	
Deposits:	
In Domestic Offices.....	96,813
Noninterest-Bearing.....	24,982
Interest-Bearing	71,831
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase.....	0
Trading Liabilities	0
Other Borrowed Money	4,000
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	503
TOTAL LIABILITIES.....	101,316
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,193
Surplus	6,821
Undivided Profits and Capital Reserves	2,636
Accumulated Other Comprehensive Income	0
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	11,650
TOTAL LIABILITIES AND EQUITY CAPITAL.....	112,966

DECEMBER 31, 2004
D. L. EVANS BANK
BURLEY, IDAHO
Charter No. 26
Charter Issued August 29, 1904
Incorporated August 23, 1904

OFFICERS:

Chief Executive Officer: John V. Evans, Jr.
President: John V. Evans, Sr.
Chief Financial Officer: Brenda Sanford

DIRECTORS:

John V. Evans, Jr.; John V. Evans, Sr.; Don S. Evans, Sr.;
Don S. Evans, Jr.; Larry L. Evans; M. DeLell Evans;
Paula D. Evans; Martha Gilgen; Glen R. Kunau; Lex H. Kunau;
James J. Lynch; Susan D. Evans Scarlett; David L. Evans

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		14,004
Interest-Bearing Balances		51
Held-to-Maturity Securities		0
Available-for-Sale Securities		51,682
Federal Funds Sold		0
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		1,819
Loans and Leases, Net of Unearned Income.....	369,593	
Less: Allowance for Loan and Lease Losses	4,532	
Net Loans and Leases		365,061
Assets Held in Trading Accounts		0
Premises and Fixed Assets.....		12,073
Other Real Estate Owned.....		81
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		7,030
TOTAL ASSETS		451,801

LIABILITIES

Deposits:		
In Domestic Offices.....		377,899
Noninterest-Bearing.....	84,697	
Interest-Bearing	293,202	
Federal Funds Purchased		0
Securities Sold Under Agreements to Repurchase.....		21,460
Trading Liabilities		0
Other Borrowed Money		15,300
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		2,066
TOTAL LIABILITIES.....		416,725

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		901
Surplus		28,225
Undivided Profits and Capital Reserves		5,683
Accumulated Other Comprehensive Income		267
Other Equity Capital Components		0
TOTAL EQUITY CAPITAL.....		35,076

TOTAL LIABILITIES AND EQUITY CAPITAL.....	451,801
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DECEMBER 31, 2004
FARMERS & MERCHANTS STATE BANK
BOISE, IDAHO
Charter No. 228
Charter Issued September 28, 1967
Incorporated January 20, 1967

OFFICERS:

President & Chief Executive Officer: Michael M. Mooney
Chief Financial Officer: Phillip Pugrud

DIRECTORS:

Terry C. Copple; Clarence Jones;
Jon Miller; Michael M. Mooney;
Edward J. Mulick; Mahlon S. "Lonnie" Park;
Lynne Sterling; Thomas E. Stitzel

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		11,416
Interest-Bearing Balances		15,003
Held-to-Maturity Securities		0
Available-for-Sale Securities		56,594
Federal Funds Sold		0
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		18,285
Loans and Leases, Net of Unearned Income.....	351,459	
Less: Allowance for Loan and Lease Losses	5,534	
Net Loans and Leases		345,925
Assets Held in Trading Accounts		0
Premises and Fixed Assets.....		11,221
Other Real Estate Owned.....		526
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		8,293
TOTAL ASSETS		467,263

LIABILITIES

Deposits:		
In Domestic Offices.....		400,075
Noninterest-Bearing	15,929	
Interest-Bearing	384,145	
Federal Funds Purchased		0
Securities Sold Under Agreements to Repurchase.....		27,947
Trading Liabilities		0
Other Borrowed Money		228
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		3,625
TOTAL LIABILITIES.....		431,875

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		3,906
Surplus		25,094
Undivided Profits and Capital Reserves		6,532
Accumulated Other Comprehensive Income		- 144
Other Equity Capital Components		0
TOTAL EQUITY CAPITAL.....		35,388

TOTAL LIABILITIES AND EQUITY CAPITAL.....	467,263
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DECEMBER 31, 2004
IDAHO BANKING COMPANY
BOISE, IDAHO
Charter No. 250
Charter Issued October 3, 1996
Incorporated May 14, 1996

OFFICERS:

President & Chief Executive Officer: Michael K. Johnston
Chief Financial Officer: Don D. Madsen

DIRECTORS:

V. Dale Babbitt; M. Dean Buffington;
Leo S. Harf; B. Randy Harris;
Michael K. Johnston; Harry M. Little; Tom Morgan

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		4,325
Interest-Bearing Balances		1,520
Held-to-Maturity Securities		13,019
Available-for-Sale Securities		24,399
Federal Funds Sold		500
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		1,885
Loans and Leases, Net of Unearned Income.....	119,124	
Less: Allowance for Loan and Lease Losses	1,758	
Net Loans and Leases		117,366
Assets Held in Trading Accounts		0
Premises and Fixed Assets.....		3,265
Other Real Estate Owned.....		0
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		4,982
TOTAL ASSETS		171,261

LIABILITIES

Deposits:		
In Domestic Offices.....		148,587
Noninterest-Bearing	20,121	
Interest-Bearing	128,466	
Federal Funds Purchased		0
Securities Sold Under Agreements to Repurchase.....		3,703
Trading Liabilities		0
Other Borrowed Money		5,500
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		885
TOTAL LIABILITIES.....		158,675

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		4,299
Surplus		7,101
Undivided Profits and Capital Reserves		1,233
Accumulated Other Comprehensive Income		- 47
Other Equity Capital Components		0
TOTAL EQUITY CAPITAL.....		12,586

TOTAL LIABILITIES AND EQUITY CAPITAL.....		171,261
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DECEMBER 31, 2004
IDAHO INDEPENDENT BANK
COEUR D'ALENE, IDAHO
Charter No. 246
Charter Issued September 7, 1993
Incorporated November 3, 1992

OFFICERS:

Chief Executive Officer: Jack W. Gustavel
President & Chief Operating Officer: Kurt R. Gustavel
Chief Financial Officer: Paul H. Montreuil

DIRECTORS:

Arthur Brown; Rod B. Colwell;
James Eisses; Roy L. Eiguren; Jack W. Gustavel;
Kurt R. Gustavel; Terry Gustavel; Jerald J. Jaeger;
Gary Mahn; Ronald B. McIntire

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		14,646
Interest-Bearing Balances		27,406
Held-to-Maturity Securities		0
Available-for-Sale Securities		24,384
Federal Funds Sold		10,789
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		4,764
Loans and Leases, Net of Unearned Income.....	290,773	
Less: Allowance for Loan and Lease Losses	5,613	
Net Loans and Leases		285,160
Assets Held in Trading Accounts		1,041
Premises and Fixed Assets.....		13,456
Other Real Estate Owned.....		342
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		12,955
TOTAL ASSETS		394,943

LIABILITIES

Deposits:		
In Domestic Offices.....		336,618
Noninterest-Bearing	129,073	
Interest-Bearing	207,545	
Federal Funds Purchased		0
Securities Sold Under Agreements to Repurchase.....		14,592
Trading Liabilities		0
Other Borrowed Money		0
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		4,419
TOTAL LIABILITIES.....		355,629

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		13,698
Surplus		27,811
Undivided Profits and Capital Reserves		1,562
Accumulated Other Comprehensive Income		- 86
Other Equity Capital Components		-3,671
TOTAL EQUITY CAPITAL.....		39,314

TOTAL LIABILITIES AND EQUITY CAPITAL.....		394,943
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DECEMBER 31, 2004
IRELAND BANK
MALAD, IDAHO
Charter No. 7
Charter Issued May 1, 1899
Incorporated December 8, 1892

OFFICERS:

President & Chief Executive Officer: R. Blair Hawkes
Chief Financial Officer: Jody L. Shumway

DIRECTORS:

Timothy P. Deeg; R. Blair Hawkes;
Jeanne N. Jenkins; Mary Jane Jenkins;
David Palfreyman; Jeff Schutte; Randon W. Wilson

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	3,082
Interest-Bearing Balances	162
Held-to-Maturity Securities	6,233
Available-for-Sale Securities	30,965
Federal Funds Sold	78
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	427
Loans and Leases, Net of Unearned Income.....	117,373
Less: Allowance for Loan and Lease Losses	1,416
Net Loans and Leases	115,957
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	1,223
Other Real Estate Owned.....	808
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	0
Intangible Assets.....	0
Other Assets.....	5,544
TOTAL ASSETS	164,479
LIABILITIES	
Deposits:	
In Domestic Offices.....	132,816
Noninterest-Bearing.....	29,124
Interest-Bearing	103,692
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase.....	986
Trading Liabilities	0
Other Borrowed Money	17,049
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	488
TOTAL LIABILITIES.....	151,339
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	303
Surplus	5,367
Undivided Profits and Capital Reserves	7,608
Accumulated Other Comprehensive Income	- 138
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	13,140
TOTAL LIABILITIES AND EQUITY CAPITAL.....	164,479

DECEMBER 31, 2004
LEWISTON STATE BANK OF IDAHO
PRESTON, IDAHO
Charter No. 257
Charter Issued September 15, 2000
Incorporated May 8, 2000

OFFICERS:

Chief Executive Officer: Anthony Jon Hall
President: Garr B. Morrison
Chief Financial Officer: Dale M. Buxton

DIRECTORS:

Verl M. Buxton; Anthony Jon Hall;
Louis C. Hickman; L. Brent Hoggan;
Larry McKnight; Garr B. Morrison;
H. Ward Nielsen; Douglas Swenson

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	855
Interest-Bearing Balances	0
Held-to-Maturity Securities	0
Available-for-Sale Securities	9,361
Federal Funds Sold	943
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	0
Loans and Leases, Net of Unearned Income.....	7,852
Less: Allowance for Loan and Lease Losses	97
Net Loans and Leases	7,755
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	104
Other Real Estate Owned.....	0
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	0
Intangible Assets.....	0
Other Assets.....	133
TOTAL ASSETS	19,151
LIABILITIES	
Deposits:	
In Domestic Offices.....	15,552
Noninterest-Bearing.....	1,440
Interest-Bearing	14,111
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase.....	0
Trading Liabilities	0
Other Borrowed Money	0
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	156
TOTAL LIABILITIES.....	15,708
EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,310
Surplus	660
Undivided Profits and Capital Reserves	418
Accumulated Other Comprehensive Income	55
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	3,443
TOTAL LIABILITIES AND EQUITY CAPITAL.....	19,151

DECEMBER 31, 2004
MOUNTAIN WEST BANK
COEUR D'ALENE, IDAHO
Charter No. 256
Charter Issued June 30, 1999
Incorporated June 28, 1999

OFFICERS:

President & Chief Executive Officer: Jon W. Hippler
Chief Financial Officer: Ronn C. Rich

DIRECTORS:

Dennis Downer; Bradley Dugdale; James English;
Steve Giacobbi; Tom Gibson; Jon Hippler; Stephen Meyer;
Marilyn Montgomery; Charles Nipp; J. Michael Patano;
Don Shepherd; Jim Strosahl; Thomas K. Thilo

ASSETS	(000's Omitted)
Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	20,943
Interest-Bearing Balances	1,678
Held-to-Maturity Securities	0
Available-for-Sale Securities	176,590
Federal Funds Sold	0
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	8,960
Loans and Leases, Net of Unearned Income.....	378,872
Less: Allowance for Loan and Lease Losses	5,013
Net Loans and Leases	373,859
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	14,776
Other Real Estate Owned.....	1,422
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	21,005
Intangible Assets.....	1,146
Other Assets.....	8,826
TOTAL ASSETS	629,205
 LIABILITIES	
Deposits:	
In Domestic Offices	431,545
Noninterest-Bearing	129,279
Interest-Bearing	302,266
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase.....	8,454
Trading Liabilities	0
Other Borrowed Money	115,654
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	6,550
TOTAL LIABILITIES.....	562,203
 EQUITY CAPITAL	
Perpetual Preferred Stock and Related Surplus	0
Common Stock	1,789
Surplus	45,444
Undivided Profits and Capital Reserves	17,884
Accumulated Other Comprehensive Income	1,885
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	67,002
 TOTAL LIABILITIES AND EQUITY CAPITAL.....	 629,205

DECEMBER 31, 2004
PANHANDLE STATE BANK
SANDPOINT, IDAHO
Charter No. 238
Charter Issued May 15, 1981
Incorporated December 19, 1980

OFFICERS:

Chief Executive Officer: Curt Hecker
President: Jerrold B. Smith
Chief Operating Officer: Pamela R. Rasmussen
Chief Financial Officer: Douglas Wright

DIRECTORS:

Charles L. Bauer; James T. Diehl; Ford Elsaesser; Curt Hecker;
Ron Jones; Maggie Lyons; Terry Merwin; James Patrick;
John B. Parker; Dennis Pence; Michael J. Romine;
Jerrold B. Smith; Barbara Strickfaden; Douglas P. Ward

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:	
Noninterest-Bearing Balances and Currency and Coin.....	15,888
Interest-Bearing Balances	204
Held-to-Maturity Securities	5,409
Available-for-Sale Securities	102,728
Federal Funds Sold	8,330
Securities Purchased Under Agreements to Resell	0
Loans and Lease Financing Receivables:	
Loans and Leases Held for Sale	5,686
Loans and Leases, Net of Unearned Income.....	425,911
Less: Allowance for Loan and Lease Losses	6,902
Net Loans and Leases	419,009
Assets Held in Trading Accounts	0
Premises and Fixed Assets.....	11,650
Other Real Estate Owned.....	799
Investments in Unconsolidated Subsidiaries.....	0
Customers' Liability on Acceptances Outstanding.....	0
Goodwill	11,399
Intangible Assets.....	1,238
Other Assets.....	14,560
TOTAL ASSETS	596,900

LIABILITIES

Deposits:	
In Domestic Offices.....	510,608
Noninterest-Bearing.....	119,202
Interest-Bearing	391,406
Federal Funds Purchased	0
Securities Sold Under Agreements to Repurchase.....	20,901
Trading Liabilities	0
Other Borrowed Money	5,000
Bank's Liability On Acceptances Executed and Outstanding.....	0
Subordinated Notes and Debentures	0
Other Liabilities	4,094
TOTAL LIABILITIES.....	540,603

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus	0
Common Stock	2,668
Surplus	41,663
Undivided Profits and Capital Reserves	12,475
Accumulated Other Comprehensive Income	- 509
Other Equity Capital Components	0
TOTAL EQUITY CAPITAL.....	56,297

TOTAL LIABILITIES AND EQUITY CAPITAL.....	596,900
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DECEMBER 31, 2004
SYRINGA BANK
BOISE, IDAHO
Charter No. 251
Charter Issued February 13, 1997
Incorporated March 8, 1996

OFFICERS:

President & Chief Executive Officer: Jerry F. Aldape
Chief Financial Officer: Geri Bullard

DIRECTORS:

Lew Andrews; Larry Arguinchona;
Joseph Callanan; Scott Chandler; Thomas Chandler;
Don Deters; Terry Hayden; Harvey Neef;
Bruce Parker; Timothy Viehweg; Charles Wilson

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		2,893
Interest-Bearing Balances		456
Held-to-Maturity Securities		0
Available-for-Sale Securities		7,126
Federal Funds Sold		780
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		411
Loans and Leases, Net of Unearned Income.....	119,785	
Less: Allowance for Loan and Lease Losses	1,557	
Net Loans and Leases		118,228
Assets Held in Trading Accounts		0
Premises and Fixed Assets.....		865
Other Real Estate Owned.....		0
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		1,476
TOTAL ASSETS		132,235

LIABILITIES

Deposits:		
In Domestic Offices.....		112,783
Noninterest-Bearing	19,391	
Interest-Bearing	93,392	
Federal Funds Purchased		3,601
Securities Sold Under Agreements to Repurchase.....		0
Trading Liabilities		0
Other Borrowed Money		2,459
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		704
TOTAL LIABILITIES.....		119,547

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		5,039
Surplus		7,303
Undivided Profits and Capital Reserves		323
Accumulated Other Comprehensive Income		23
Other Equity Capital Components		0
TOTAL EQUITY CAPITAL.....		12,688

TOTAL LIABILITIES AND EQUITY CAPITAL.....		132,235
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DECEMBER 31, 2004
THE BANK OF COMMERCE
IDAHO FALLS, IDAHO
Charter No. 225
Charter Issued March 30, 1959
Incorporated March 30, 1959

OFFICERS:

President & Chief Executive Officer: Thomas J. Romrell
Chief Financial Officer: Ronald M. Johnson

DIRECTORS:

Richard N. Adams; Bradford C. Bowen;
Julian G. Cowley; Calvin Erb; John W. Erb;
Richard Groberg; Wallace Reed

ASSETS

(000's Omitted)

Cash and Balances Due From Depository Institutions:		
Noninterest-Bearing Balances and Currency and Coin.....		31,091
Interest-Bearing Balances		0
Held-to-Maturity Securities		75,998
Available-for-Sale Securities		79,817
Federal Funds Sold		15,504
Securities Purchased Under Agreements to Resell		0
Loans and Lease Financing Receivables:		
Loans and Leases Held for Sale		0
Loans and Leases, Net of Unearned Income.....	337,392	
Less: Allowance for Loan and Lease Losses	3,918	
Net Loans and Leases		333,474
Assets Held in Trading Accounts		0
Premises and Fixed Assets.....		4,404
Other Real Estate Owned.....		0
Investments in Unconsolidated Subsidiaries.....		0
Customers' Liability on Acceptances Outstanding.....		0
Goodwill		0
Intangible Assets.....		0
Other Assets.....		6,750
TOTAL ASSETS		547,038

LIABILITIES

Deposits:		
In Domestic Offices.....		458,086
Noninterest-Bearing	43,299	
Interest-Bearing	414,787	
Federal Funds Purchased		0
Securities Sold Under Agreements to Repurchase.....		0
Trading Liabilities		0
Other Borrowed Money		0
Bank's Liability On Acceptances Executed and Outstanding.....		0
Subordinated Notes and Debentures		0
Other Liabilities		5,714
TOTAL LIABILITIES.....		463,800

EQUITY CAPITAL

Perpetual Preferred Stock and Related Surplus		0
Common Stock		800
Surplus		29,200
Undivided Profits and Capital Reserves		52,299
Accumulated Other Comprehensive Income		939
Other Equity Capital Components		0
TOTAL EQUITY CAPITAL.....		83,238

TOTAL LIABILITIES AND EQUITY CAPITAL.....		547,038
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DECEMBER 31, 2004
THE IDAHO COMPANY
BOISE, IDAHO
Charter No. 1
Incorporated November 28, 1986
BIDCO License Issued July 11, 1989

OFFICERS:

Chairman & Chief Executive Officer: William F. Rigby
President: Ronald Warnecke

DIRECTORS:

Jeffrey Jones; John Rigby;
William F. Rigby; Fred T. Thompson, Jr.;
Shanon Taylor; Ronald Warnecke

(000's Omitted)

ASSETS

Cash	23
Loan Receivable	1,236
Less: Allowance for Loan Losses	132
Net Loans and Leases	1,104
Accounts Receivable	0
Interest Receivable	83
Prepaid Expenses	0
Other Investments	205
TOTAL ASSETS	1,415

LIABILITIES

Accounts Payable	0
Accrued Expenses	0
Notes Payable	316
TOTAL LIABILITIES	316

EQUITY CAPITAL

Common Stock	983
Capital Contributed	154
Retained Earnings	(38)
TOTAL EQUITY CAPITAL	1,099

TOTAL LIABILITIES AND EQUITY CAPITAL	1,415
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EXHIBIT IV

DECEMBER 31, 2004
IDAHO STATE-CHARTERED CREDIT UNIONS
CONSOLIDATED STATEMENT

ASSETS

CASH		\$108,481,909
Unsecured Credit Cards	\$42,777,631	
All Other Unsecured Loans	23,384,577	
New Auto Loans	206,738,957	
Used Auto Loans	280,328,494	
First Mortgage Real Estate Loans	250,526,978	
Other Real Estate Loans	49,461,265	
Leases Receivable	21,776	
Other Loans (Includes Loans Held for Sales)	91,529,878	
TOTAL LOANS		\$944,769,556
Less: Allowance for Loan and Lease Losses		-\$4,566,215
Available for Sale Securities	32,357,105	
Held-to Maturity	9,010,209	
Deposits in Commercial Banks, Savings & Loans, Savings Banks	40,215,724	
Membership Capital and Paid-in Capital at Corporate Credit Unions	10,378,464	
All Other Investments in Corporate Credit Unions	117,879,454	
All Other Investments	5,615,513	
TOTAL INVESTMENTS		\$215,456,469
Other Real Estate Owned	226,725	
Land and Building (Net of Dep)	35,997,718	
Other Fixed Assets	6,006,113	
Shares Insurance Capitalization Deposit	8,757,210	
Other Assets	9,181,731	
TOTAL OTHER ASSETS		\$60,169,497
TOTAL ASSETS		\$1,324,311,216

LIABILITIES, SHARES AND EQUITY

Promissory and other Notes Payable	\$16,802,537	
Dividends / Interest Payable	2,016,879	
Accounts Payable & Liabilities	8,892,679	
TOTAL LIABILITIES		\$27,712,095
Share Drafts	206,552,646	
Regular Shares	412,338,729	
All Other Shares and Deposits	558,835,253	
TOTAL SHARES AND DEPOSITS		\$1,177,726,628
Undivided Earnings	\$79,343,817	
Regular Reserves	39,165,684	
Other Reserves	829,718	
Unrealized Gain/Loss A-F-S SEC	-466,726	
Other Comprehensive Income	0	
TOTAL EQUITY		\$118,872,493
TOTAL SAVINGS AND EQUITY		\$1,296,599,122
TOTAL LIABILITIES AND EQUITY		\$1,324,311,216

December 31, 2004
STATE OF IDAHO
STATE-CHARTERED CREDIT UNIONS

TOTAL ASSETS

	12/31/2004	12/31/2003
BOISE		
Boise Credit Union	15,680,290	16,319,920
Boise Fire Department Credit Union	5,609,937	5,533,877
Boise Valley Credit Union	657,700	729,862
E.S.A. Credit Union	6,744,532	6,991,572
Health Care Idaho Credit Union	8,947,674	8,341,536
Idaho United Credit Union	21,085,965	19,419,063
Mountain View Credit Union	5,352,780	5,721,608
St. Alphonsus Medical Credit Union	3,772,111	3,706,370
Western Equipment Employees Credit Union	1,540,897	1,831,894
BURLEY		
Cassia County Education Association Credit Union	3,443,367	3,420,630
M.A.P. Credit Union	1,791,671	1,902,968
Mini-Cassia Employees Credit Union	645,826	727,860
SIMCOE Credit Union	5,401,055	5,309,231
CALDWELL		
Canyon Medical Health Credit Union	17,803,964	16,896,024
Simplot Employees Credit Union	32,275,646	30,412,741
COEUR D' ALENE		
Coeur d' Alene Teachers Credit Union	*	9,611,165
Public Employees Credit Union	9,190,096	9,835,241
EMMETT		
Payette River Credit Union	5,210,254	4,693,412
GRANGEVILLE		
Pine Tree Credit Union	25,715,126	22,813,118
IDAHO FALLS		
East Idaho Credit Union	140,925,272	130,776,335
Idaho Falls Teachers Credit Union	13,665,717	13,417,496
Medical and Professional Credit Union	30,002,212	32,714,872
Westmark Credit Union	315,827,124	275,197,760
INKOM		
Inkom Cement Workers Credit Union	1,551,882	1,526,087

KAMIAH		
Kamiah Community Credit Union	24,473,474	23,356,326
LEWISTON		
Clearwater Credit Union	29,492,204	30,466,647
Lewis Clark Credit Union	17,267,420	16,620,196
Lewiston Catholic Credit Union	422,533	406,816
Tribune Credit Union	735,027	753,006
MENAN		
Jefferson County Public Employees Credit Union	674,888	671,330
NAMPA		
Canyon Teachers Credit Union	5,734,342	5,820,778
Idadiv Credit Union	32,407,589	30,449,466
Northwest Christian Credit Union	24,999,019	24,690,901
QUINCO Credit Union	12,450,108	11,472,853
Valley Credit Union	9,140,830	9,417,327
OROFINO		
Orofino Community Credit Union	4,795,668	4,455,561
PIERCE		
White Pine Credit Union	5,441,702	4,983,376
PINEHURST		
Shoshone County School Employees Credit Union	924,077	1,025,674
POCATELLO		
Idaho Central Credit Union	391,013,844	310,532,692
Pocahy Family Credit Union	13,224,559	12,453,025
Pocatello Simplot Credit Union	29,974,282	30,066,526
Potelco United Credit Union	38,688,800	35,935,407
SHELLY		
Shell-Fir Credit Union	1,092,155	944,828
ST. MARIES		
St. Joe Valley Credit Union	8,296,661	7,174,403
TWIN FALLS		
Times- News Employees Credit Union	220,936	217,734
	1,324,311,216	1,189,765,514
<u>SUBTOTAL</u>		
OUT-OF-STATE CREDIT UNIONS WITH OFFICES IN IDAHO		
Idaho Assets Only		
Global Credit Union, Spokane WA	54,693,752	36,290,317
Horizon Credit Union, Spokane, WA	53,224,039	49,633,388
Numerica Credit Union, Spokane WA	57,642,614	39,652,462

Silverado Credit Union, Angwin, CA	1,069,026	610,269
	166,629,431	126,186,436
<u>SUBTOTAL</u>		
TOTAL	1,490,940,647	1,315,951,950

* Merged with Numerica Credit Union on November 1, 2004

SECURITIES BUREAU SANCTIONS REPORT

I. CIVIL ENFORCEMENT ACTIONS INITIATED OR COMPLETED UNDER THE IDAHO SECURITIES ACT/UNIFORM SECURITIES ACT

June 24, 2004 and
March 7, 2005

IDAHO BIG SKY TELECOM, Hallandale, FL; BIG WEST TELECOM; NICHOLAS F. CUNEO, JR., BRANDON CLAREY; JAMES N. BRAMBLE; THEODORE LEVITT – On June 24, 2004, the Idaho Department of Finance filed a civil securities lawsuit against the above defendants in Fourth District Court in Boise. The complaint alleged that the defendants sold unregistered securities to Idaho residents and that they failed to register as securities salesmen in Idaho. The complaint also alleged that the defendants made untrue statements to prospective investors, including that investors could anticipate profits in excess of 200% per year. The scheme involved the defendants purportedly providing local, long distance, cellular and internet telephone services to the Idaho Falls and Pocatello areas of Idaho and to areas of Wyoming.

On March 7, 2005, a default judgment and permanent injunction was entered against the defendants. The Court found that the defendants violated the Idaho Securities Act, enjoined them from engaging in future violations, ordered defendants to repay investors \$100,000 and imposed penalties of \$990,000, attorneys fees and costs payable to the Department.

August 12, 2004

ARIZONA IDAHO MINING LLC; DOUGLAS L. BAKER, The Idaho Department of Finance filed a civil securities lawsuit against the above defendants in Fourth District Court in Boise. The complaint alleges that the defendants violated the anti-fraud provisions of the Idaho Securities Act by making material misrepresentations and omission while raising investment monies for mining projects in Idaho and Arizona.

The State seeks restitution for the benefit of investors, an injunction against further securities violations, penalties and attorneys fees.

October 14, 2004

THOMAS L. GOODRICH, Idaho Falls, ID – The Seventh Judicial District Court in Idaho Falls entered a permanent injunction against Idaho Falls resident, Thomas L. Goodrich.

The order was the result of the Court's granting the Department's motion for summary judgment against Goodrich who was named in the lawsuit as the managing and sole member of CreditMaster Finance, LLC, located in Idaho Falls.

The complaint alleged that Goodrich offered and sold investment interests in automobile installment sales contracts to several Idaho investors without disclosing to them that CreditMaster, the issuer company, was in financial trouble. As an inducement to invest, investors were falsely promised that CreditMaster would make good on any payments that an investor failed to receive under the investment contract.

November 30, 2004 and
June 16, 2005

DONALD E. AND KARLEEN SAVAGE, Nampa, ID - The Idaho Department of Finance filed a lawsuit against Donald and Karleen Savage in November, 2004 alleging violations of the Idaho Securities Act. The Department's lawsuit alleged that the Savages provided investment advice when they were not registered to do so, violated the anti-fraud provisions of the Act in the course of this conduct, and misused the investor's funds resulting in a loss to the investor of more than \$16,000.

On June 16, 2005, without admitting or denying the Department's allegations, the defendants entered into a "Stipulation and Consent to Entry of Judgment" in which the Court permanently enjoined them from engaging in violations of the anti-fraud provisions of Idaho securities laws. Specifically the judgment enjoins them from employing any device, scheme or artifice to defraud investors, or to make any untrue statement of material fact or to omit to state a material fact in connection with the offer and sale of securities. The judgment also prohibits them from engaging in any act, practice or course of business which would operate as a fraud or deceit on any person. The Court also ordered the Savages to pay restitution to the victim in the amount of \$16,000.00.

December 8, 2004 and
March 7, 2005

THEODORE SEBASTIAN HAUKE AKA SCOTT THOMAS ALLEN, Boise, ID - The Idaho Department of Finance filed a civil securities lawsuit against Theodore Sebastian Hauk in the Fourth District Court in Boise on December 8, 2004.

The complaint alleged that Hauk violated the antifraud provisions of the Idaho Securities Act when he offered securities in his carpentry/furniture business. Among the fraudulent acts alleged by the Department was that Hauk misrepresented to investors that the investment funds would be used to purchase equipment and

supplies for the business and that he instead used the funds to pay for his own personal obligations and entertainment expenses.

On March 7, 2005, the Court entered a default judgment against Hauk, finding that he had violated the Idaho Securities Act, and placing restrictions on any future securities activities in Idaho. The Court also ordered that Hauk repay Idaho investors, and imposed penalties and costs in excess of \$40,000.

December 10, 2004

DAVID A. HIGGINBOTHAM, Boise, ID – The Fourth Judicial District Court in Boise, entered a default judgment and permanent injunction against Boise resident David A. Higginbotham.

The lawsuit alleged that Higginbotham sold unregistered promissory notes, acted as an unlicensed broker-dealer, and violated the anti-fraud provisions of the Idaho Securities Act. Additionally, the lawsuit alleged that Higginbotham engaged in fraudulent conduct, including misrepresenting to investors the safety of various securities by claiming the notes were collateralized or otherwise secured by certain assets.

In its order, the Court found that Higginbotham violated the Idaho Securities Act, enjoined Higginbotham from engaging in misrepresentations or omissions in connection with the offer, sale or purchase of securities, and placed restrictions on his future securities activities. The Court also ordered Higginbotham to repay Idaho investors more than \$426,000 and imposed penalties of \$270,000, attorneys fees and costs payable to the Department.

December 3, 2004

SALT LAKE CITY WIRELESS, LLC; STEVEN WAYNE OLSON, Boise, ID – The Idaho Department of Finance filed a civil securities lawsuit in the Fourth District Court in Boise against Steven Wayne Olson and his company, Salt Lake City Wireless, both of Boise.

The State's complaint alleged that the defendants offered and sold securities in the form of membership interests in Salt Lake City Wireless when the securities were not registered and the defendants were not licensed to sell securities in Idaho. The Department also alleged the defendants made misrepresentations and omissions including claiming an investor could anticipate a return on investment of 460% without a reasonable basis for such claim, and failing to disclose that a portion of investors' monies would be used for Olson's personal expenses, including trips to Las Vegas and Reno, Nevada, and the purchase of vehicles.

The State's lawsuit seeks an order from the court permanently enjoining the defendants from future violations of the securities laws, placing limitations on future business activities and restitution of \$75,000 to affected investors, and imposing civil penalties and attorney fees.

May 2, 2005

LEADER CAPITAL CORPORATION, Portland, OR – The Fourth Judicial District Court in Boise, entered a consent judgment and permanent injunction against Leader Capital Corporation, of Portland, Oregon.

Without admitting or denying the State's allegations, Leader Capital consented to the entry of a permanent injunction and judgment that includes restitution to Idaho investors and the payment of more than \$20,000 in penalties and costs to the State. The lawsuit alleged that the firm had: (1) caused the execution of securities transactions in the accounts of Idaho residents which were not authorized by each client at or prior to the execution of the transaction and (2) recommended and caused the execution of securities transactions in the accounts of Idaho residents which were not suitable to each investor's objectives.

May 17, 2005

ULTIMATE VENTURES, INC.; CAMERON KUIPERS, Kelowna, BRITISH COLUMBIA, CANADA – The Department of Finance filed a lawsuit against Ultimate Ventures, Inc., a Canadian company selling viatical-related securities, and its president, Cameron Kuipers, both of British Columbia, Canada on December 30, 2003. On May 17, 2005, District Judge Ronald J. Wilper of the Fourth District Court in Boise, entered a judgment and permanent injunction against the defendants. The court found that Kuipers and his company had violated Idaho's securities laws, and ordered the repayment of \$1.7 million to Idaho investors injured by the violations, and payment of a penalty in the amount of approximately \$1 million to the Department.

The court found that Kuipers and Ultimate Ventures, Inc. had offered or sold securities to Idaho residents without complying with the registration requirements of Idaho securities laws, and had committed securities fraud through misrepresentations and omissions of facts material to the offers and sales of the securities involved in the case to Idaho investors. The material misrepresentations and omissions included Kuipers' representation that investor funds would be held in trust, when they were not continuously held in trust, and his failure to inform investors that at least three money judgments had been entered against him previously by Canadian courts, that he had represented himself to a British Columbia court as being indigent, that the British Columbia

Securities Commission had previously issued a “Cease Trade Order” against Ultimate Ventures, Inc., and that Canadian investors had received approximately \$2 million in Ultimate Ventures shares without having to pay any cash for such shares. The security offered and sold by Kuipers and Ultimate Ventures, Inc. to Idaho residents consisted of beneficiary rights in life insurance policies, also known as “viaticals,” which were pooled and sold to Idaho investors in the form of preferred shares in Ultimate Ventures, Inc.

June 6, 2005

HOWARD H. HUCKS, Huntington Beach, CA; PAUL CROXTON DELZELL, La Crescenta, CA – The Fourth Judicial District Court in Boise, entered a judgment and permanent injunction against two California-based mining promoters, Howard H. Hucks and Paul Croxton Delzell (doing business as Landmark Technology & Development, Inc.).

The complaint alleged that the defendants: (1) misrepresented that investor funds were very safe due to a “firm commitment” of further funding that would provide a source of repayment to investors, (2) misrepresented that investors’ funds would be used to develop and implement mining operations, when in reality, a significant portion of the invested funds were paid directly to Hucks and Delzell and used for the personal and business expenses of Hucks, (3) failed to inform investors of the specific financial condition and operating results of Landmark Technology and Development, Inc., (4) failed to inform investors that Hucks had filed a Chapter 13 bankruptcy in or about 1998 and that Hucks had been subject to a California state tax lien in or about 1997, and (5) failed to inform investors of the amounts and types of compensation that the defendants would receive in connection with an investment in Landmark Technology and Development, Inc.

The Court found the defendants had violated Idaho securities laws and ordered that they pay more than \$57,000 in refunds, civil penalties and costs.

II. ADMINISTRATIVE SANCTIONS & ORDERS ISSUED UNDER THE IDAHO SECURITIES ACT

January 12, 2005

INVESTMENTS ETERNAL; EAGLE INTERNATIONAL MINISTRIES; DALE R. BLACK; AND, PAULA BLACK, Eagle, ID – Agreement and Order – The Idaho Department of Finance found that the respondents failed to register as broker-dealers or salesmen and failed to register the securities they offered and sold to Idaho residents. The respondents also violated the anti-fraud provisions of the Idaho Uniform Securities Act. These activities occurred in connection with the respondents' offer of securities in Investments Eternal, an organization that targeted churches and ministries and purportedly used "proven investing systems to multiply and increase ministry finances." Respondent Paula Black represented to potential investors that her portfolio increased by 68% in 2002, 112% in 2003 and was on target to exceed 200% in 2004. Investments Eternal in fact was a start-up company with no clients, no business and only \$8.00 in a company bank account. Without admitting or denying the allegations and findings of the Department, respondents agreed to disable their website and to not solicit any further investments in or from Idaho until the offerings and sales agents are in compliance with the Uniform Securities Act, abide by the Idaho Uniform Securities Act in the future and pay a fine to the Department of \$1,500.

August 4, 2004

SCOTT ALAN CAISSE, Nampa, Idaho – Order to Cease and Desist - The Idaho Department of Finance issued a Cease and Desist Order against Scott Caisse immediately prohibiting the offer or sale of unregistered securities by an unregistered agent. The Order was in connection with an "International Bank Debenture Forfeiting Program" being offered by Caisse. The program was represented by Caisse as being risk-free and would return a guaranteed minimum profit of 10% with possible returns of 40% per month.

June 8, 2005

JACK LEE SMILEY, Coeur d'Alene, ID – The Idaho Department of Finance issued a Summary Cease and Desist Order to Jack Lee Smiley, Coeur d'Alene, Idaho, in connection with an Iraqi currency investment program being promoted by Smiley. Smiley was alleged to have been offering foreign currency investments in violation of the Idaho Commodities Act to investors in Coeur d'Alene and Spokane, Washington.

The Order alleged that Smiley represented to investors that he could purchase Iraqi dinars for them and that investors would realize at least 33 times their investment when the currency hit the world markets in August of 2005. Smiley allegedly guaranteed investors they would not lose any money. Among other allegations, Smiley was purportedly not qualified under the Idaho commodity Code to offer or sell any commodity contract or commodity option.

Smiley was ordered to cease and desist from violations of the Idaho Commodity Code.

January 27, 2005

DJM ENTERPRISES; TEAM CONCEPTS, LP; TEAM BUILDERS, LP; MICHAEL HUFFMAN; JEFFREY D. UNDERWOOD; AND THEIR AGENTS AND REPRESENTATIVES – Boise, ID – Agreement and Order – The Order alleged that Respondents and their agents offered securities in the form of limited partnership interests in Team Concepts and Team Builders to residents of Idaho. Respondents were not licensed to offer or sell securities in Idaho, nor were the securities registered or exempt from registration. Respondents falsely represented to investors that their investment interests were secured by real estate when in fact the subject real estate was owned by Mr. Huffman personally and not by the partnership issuing the securities. While neither admitting or denying the violations, respondents agreed (1) not to solicit further investment in or from Idaho unless the offerings and sales agents are in compliance with the Idaho Uniform Securities Act, (2) remit the amount of \$1,000 to the Department to cover costs of investigation and to further investor education efforts, and (3) comply with the provisions of the Idaho Uniform Securities Act.

June 14, 2005

MARY F. SPEARS, Boise, ID – Agreement and Order – Without admitting or denying the Department's findings, Mary F. Spears signed an Agreement and Order with the Department of Finance in which she agreed to repay certain investors \$1,806, comply with Idaho securities laws, immediately terminate her employment in the securities industry and not re-apply for a period of two years. A \$5,000 fine was imposed but waived until respondent re-enters the securities business. The fine will also be reduced by the amount of restitution paid by Spears. Respondent agreed that any future securities industry employment would require on-site supervision. The circumstances under which this action arose involved the alleged sale of unregistered viatical investments. The Department alleged that respondent engaged in deceptive or manipulative practices in the course of the sale of the viatical securities and was engaged in outside business activities without the approval of her employing broker-dealer.

August 24, 2005

MARK DEATON, Twin Falls, ID – Agreement and Order – The Department alleged that Deaton, president of American Gold and silver International (AGSI), solicited investments in AGSI suggesting that a \$25,000 investment would earn a 37% annual return. Neither Deaton nor the securities were registered in Idaho and the risks of the investment were not disclosed to prospective investors. Deaton agreed to immediately cease all securities activities in Idaho until appropriate licensing is obtained and agreed to get the Department's written approval prior to transacting any securities business for a period of twelve months.

May 24, 2005
July 15, 2005

THOMAS WEISEL PARTNERS, LLC, San Francisco, CA
DEUTSCHE BANK SECURITIES, INC., New York, New York

In separate enforcement actions, Wall Street investment banks Deutsche Bank Securities, Inc., and Thomas Weisel Partners L.L.C., agreed to revise their business practices and pay a cumulative total of \$100 million to settle allegations by securities regulators that they had undue influence over research analysts resulting in conflicts of interest and deception. The firms agreed to pay more than \$437,000 in penalties and investor-education fund payments to the Idaho Department of Finance under the terms of the agreements. The enforcement actions are related to a multi-million dollar global settlement that 10 other investment banks reached in 2002 and 2003 with state securities regulators as well as the SEC, NASD and NYSE.

The 2002-2003 settlement stemmed from joint investigations and enforcement actions initiated by regulators alleging that during a two-year period, investment banking interests had undue influence over research analysts. Evidence indicated that the researchers, who are supposed to provide objective information, were pressured to report favorably on stocks and bonds of companies that were investment banking clients of the firms.

These enforcement actions arise from allegations that Deutsche Bank and Thomas Weisel Partners:

- issued research reports that were not based on principles of fair dealing and good faith and did not provide a sound basis for evaluating facts;
- issued research reports that contained exaggerated or unwarranted claims about the covered companies and/or contained opinions for which there were no reasonable bases;
- received payments for research without disclosing such payments; and

- made undisclosed payments for research.

In addition, securities regulators charged that Deutsche Bank failed to timely produce e-mail communications that had been requested during the investigation.

In addition to the monetary payments, Deutsche Bank and Thomas Weisel Partners must reform their future practices, which includes separating the research and investment banking departments at the firms, restructuring how research is reviewed and supervised and making independent research available to investors.

June 9, 2005

VONDEAN RENEE KAREL, Boise, ID – Order of Summary Suspension of Broker-Dealer Agent Registration and Notice of Hearing – The Department issued this order summarily suspending Karel’s broker-dealer agent registration for six months after Karel refused to provide records requested by Department staff during an examination of her office. Karel timely requested a hearing to contest the order.

III. CRIMINAL REFERRALS AND PROSECUTORIAL ASSISTANCE

June 6, 2005

ROBERT MCCLUNG, Idaho Falls, ID; – Following a civil lawsuit by the Department for securities violations, this case was criminally prosecuted by the U.S. Attorney. McClung pled guilty to one count of mail fraud and was sentenced to the recommended maximum amount of incarceration (30-37 months) with three years of supervised release thereafter. He was ordered to repay more than \$1.2 million to more than 100 affected investors in Idaho and around the region.

The State’s case and the federal prosecution arose out of McClung’s offer and sale of investment interests involving a partnership known as RRLM and Spenlee, Inc.. McClung promised investors a very high rate of interest and minimal risk through his “day-trading” ability. However, McClung conducted little trading and diverted the money to his personal use.

CONSUMER FINANCE BUREAU SANCTIONS REPORT

I. ORDERS ISSUED UNDER THE IDAHO CREDIT CODE

January 21, 2005 **CHECK 'N GO OF IDAHO, INC.** (Mason, OH) – Assurance of Discontinuance – Following the Department's finding that the Respondent had wrongfully obtained and used Idaho consumers' non-public personal information, the Respondent entered into an Assurance of Discontinuance with the Department in which it agreed to, 1) discontinue obtaining and using non-public personal financial information concerning Idaho consumers without first obtaining explicit written authorization from such consumers, 2) pay the Department \$50,000 as an administrative penalty (\$43,000) and as reimbursement for investigative expenses and attorneys' fees (\$7,000), 3) expunge from its records all non-public personal financial information obtained from consumers without authorization, 4) provide written notice and corrective instruction to consumers from whom the Respondent obtained non-public personal financial information without authorization, 5) abide by all provisions of the Idaho Credit Code and rules promulgated thereunder, 6) disclose the existence of this Assurance of Discontinuance on future licensing and renewal forms for a minimum of ten (10) years, 7) allow the Department to incorporate the findings and violations of the Assurance of Discontinuance in subsequent proceedings if future violations occur. Respondent remains licensed in Idaho

II. ORDERS ISSUED UNDER THE IDAHO COLLECTION AGENCY ACT

July 15, 2004 **MERCHANTS CREDIT GUIDE COMPANY** (Chicago, IL) – Agreement and Order – The Respondent admitted violations of the Idaho Collection Agency Act. Specifically, the Respondent engaged in collection activities in Idaho without first obtaining the required permit under the Idaho Collection Agency Act.

The Respondent agreed to 1) pay the Department a \$ 5,000 administrative penalty, 2) abide by all provisions of the Idaho Collection Agency Act, the Fair Debt Collection Practices Act, and all rules promulgated thereunder at all times in the future, and 3) allow the Department to incorporate the allegations giving rise to the Agreement and Order in any future proceeding resulting in the Respondent's

breach of the Agreement and Order or violations of the Idaho Collection Agency Act.

Respondent remains licensed in Idaho.

August 9, 2004 **NATIONAL CREDIT ACCEPTANCE, INC.** (Sacramento, CA) – Cease and Desist Order – The Order found that the Respondent had operated as a collection agency, collection bureau or collection office in Idaho without a permit in violation of the Idaho Collection Agency Act.

August 20, 2004 **PAUL & ASSOCIATES LAW OFFICES, P.L.L.C.** (Salt Lake City, UT) – Agreement and Order – The Respondent admitted violations of the Idaho Collection Agency Act. Specifically, after failing to renew its Idaho Collection Agency permit the Respondent engaged in collection activities in Idaho without a permit.

The Respondent agreed to 1) pay the Department a \$ 5,000 administrative penalty, 2) abide by all provisions of the Idaho Collection Agency Act, the Fair Debt Collection Practices Act, and all rules promulgated thereunder at all times in the future, and 3) cease any and all collection activities in Idaho until it obtains a permit to do so under the Idaho Collection Agency Act.

September 21, 2004 **M.A.D. COLLECTION AGENCY, LLC** (Plymouth, NH) – Cease and Desist Order – The Order found that the Respondent had operated as a collection agency, collection bureau or collection office in Idaho without a permit in violation of the Idaho Collection Agency Act, subsequent to prior written warnings and notices from the Department.

October 15, 2004 **GIOVE LAW OFFICE P.C.** (Niagara Falls, NY) – Cease and Desist Order – The Order found that the Respondent had operated as a collection agency, collection bureau or collection office in Idaho without a permit in violation of the Idaho Collection Agency Act, subsequent to prior written warnings and notices from the Department.

The Cease and Desist Order also found that the Respondent had violated provisions of the Fair Debt Collection Practices Act, incorporated into the Idaho Collection Agency Act, by making false or misleading threats of criminal prosecution to Idaho debtors for “credit card fraud” or “grand larceny.” The Cease and Desist Order orders the Respondent, its agents and employees, to immediately cease and desist from further violations of the Idaho Collection Agency Act.

May 16, 2005 **GIOVE LAW OFFICE P.C.** (Niagara Falls, NY) – Order Denying Application for Collection Agency Permit – The Order found that the

Respondent had operated as a collection agency, collection bureau, or collection office in Idaho without a permit in violation of the Idaho Collection Agency Act, subject to a previously issued Cease and Desist Order.

The Order also found that the Respondent's prior collection activities in Idaho without a permit included representations by Respondent's agents or employees in violations of the Fair Debt Collection Practices Act. Those representations included making false or misleading threats of criminal prosecution for "credit card fraud," or "grand larceny" to Idaho citizens.

III. ORDERS ISSUED UNDER THE IDAHO RESIDENTIAL MORTGAGE PRACTICES ACT

August 4, 2004

COVENTRY MORTGAGE OF UTAH, INC. dba PRIORITY 1 MORTGAGE – (Layton, UT) – Agreement and Order – The Respondent admitted to violations of the Idaho Residential Mortgage Practices Act. More specifically, Respondent admitted to 1) conducting mortgage brokering or mortgage lending activities in Idaho from an unlicensed branch location, 2) accepting yield spread premium fees at closing that were not previously disclosed fully to a borrower on the good faith estimate, and 3) failing to complete section II of the notification of adverse action forms.

The Respondent agreed to 1) an administrative penalty of \$5,000 of which \$2,500 was suspended on conditions of future compliance, and 2) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, including incorporated federal laws and regulations applicable to the mortgage brokering business.

Respondent remains licensed in Idaho.

August 4, 2004

TAMMY MARIE FIL, dba FIRST OPTION MORTGAGE – (Meridian, ID) – Order of Denial of Mortgage Broker/Lender License – The Department denied the Respondent's application for a mortgage broker license, concluding that the Respondent filed an application for a license which was false or misleading with respect to a material fact. Specifically, the Department concluded that the Respondent's license application included misrepresentations regarding her prior mortgage lending work experience.

The Respondent did not file a request for a hearing on the question of her qualifications for a license under the Idaho Residential Mortgage Practices Act.

August 31, 2004

CHARTER FINANCIAL GROUP, LLC – (Grants Pass, OR) – Order Revoking Mortgage Broker/Lender License and Termination of Regulated Lender License – The Respondent allowed its surety bond to expire, the maintenance of which is a requirement of continuing licensure under the Idaho Residential Mortgage Practices Act. After notice by the Department, and failure to cure by the Respondent, the Department filed a complaint for the revocation of Respondent’s mortgage broker/lender license and for termination of its regulated lender license under the Idaho Credit Code, which license was issued to the Respondent contingent on the continuation of its Idaho mortgage broker/lender license.

Respondent failed to answer the Department’s Complaint for Revocation, and the Department subsequently issued the Order Revoking Mortgage Broker/Lender License and Termination of Regulated Lender License.

October 8, 2004

SECURITY LENDING WHOLESALE, LC – (Salt Lake City, UT) – Order Revoking Mortgage Broker/Lender License – The Department filed a Complaint for Revocation of Mortgage Broker/Lender License alleging that the Respondent had conducted mortgage brokering/lending activities in Idaho in a name other than that for which the Respondent had a license, and also for conducting mortgage brokering/lending activities in Idaho from an unlicensed location. The Respondent failed to answer the complaint, leading to the issuance of the order revoking Respondent’s Idaho mortgage broker/lender license.

October 12, 2004

CONSOLIDATED MORTGAGE, INC. – (Boise, ID) – Agreement and Order – The Respondent admitted to violations of the Idaho Residential Mortgage Practices Act. More specifically, Respondent admitted to 1) charging a “loan discount” fee to a borrower and failing to disclose the fee on the Good Faith Estimate, 2) charging a “loan discount” fee to a borrower for an interest rate reduction, when no interest rate reduction was provided, 3) receiving a yield spread premium on a loan transaction when the same was not disclosed on the Good Faith Estimate or HUD-1 Settlement Statement, 4) falsely representing that a borrower had been gifted a sum of money for purposes of a down payment, 5) preparing a false “Gift Letter” on behalf of a borrower as part of a mortgage loan application, and 6) preparing and taking a promissory note from a borrower, one of the purposes of which was to reimburse a “donor” for a “gift” of money purportedly provided to a borrower.

The Respondent agreed to 1) pay the Department an administrative penalty of \$ 10,000, 2) forgive a promissory note taken from a borrower in the amount of \$ 3,028, 3) refund \$ 400 to borrowers for undisclosed fees, 4) refund \$ 37.26 to borrowers, and the sum of \$ 423.83 to sellers in a loan transaction, representing undisclosed discount point fee collected by Respondent, 5) refund to borrowers the sum of \$ 3,500.66, representing an undisclosed yield spread premium paid to Respondent by a lender in a loan transaction, and 6) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules at all times in the future.

Respondent remains licensed in Idaho.

October 26, 2004

WESTERN STATES MORTGAGE CORPORATION, dba RESIDENTIAL CAPITAL CORPORATION (Bellevue, WA) – Agreement and Order – The Respondent admitted to violating the Idaho Residential Mortgage Practices Act by making false or misleading representations of fact in its 2002 and 2004 annual license renewal forms.

The Respondent agreed to 1) pay the Department a \$1,500 administrative penalty, 2) disclose the existence of this Agreement and Order on future licensing and renewal forms for the next ten (10) years, 3) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, and 4) allow the Department to incorporate the allegations giving rise to this proceeding if future violations occur.

Respondent remains licensed in Idaho.

November 1, 2004

AMERICA'S CHOICE MORTGAGE, INC. (Matinez, GA) – Agreement and Order – The Respondent admitted to violating the Idaho Residential Mortgage Practices Act by making false or misleading representations of fact in its initial license application in 2003 and in its 2004 annual license renewal form.

The Respondent agreed to 1) pay the Department a \$1,500 administrative penalty, 2) disclose the existence of this Agreement and Order on future licensing and renewal forms for the next ten (10) years, 3) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, and 4) allow the Department to incorporate the allegations giving rise to this proceeding if future violations occur.

Respondent remains licensed in Idaho.

November 5, 2004 **SUNSET MORTGAGE COMPANY, LP** (Chadds Ford, PA) – Agreement and Order – The Respondent admitted to violating the Idaho Residential Mortgage Practices Act by making false or misleading representations of fact in its 2002, 2003, and 2004 annual license renewal forms.

The Respondent agreed to 1) pay the Department a \$6,000 administrative penalty, 2) disclose the existence of this Agreement and Order on future licensing and renewal forms for the next ten (10) years, 3) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, and 4) allow the Department to incorporate the allegations giving rise to this proceeding if future violations occur. The Department stipulated that the Agreement and Order would not constitute a bar to the Department's approval of Respondent's future annual license renewal forms.

Respondent remains licensed in Idaho.

November 15, 2004 **BOTTOMLINE MORTGAGE, INC.** (Monrovia, CA) – Agreement and Order – The Respondent admitted to violating the Idaho Residential Mortgage Practices Act by making false or misleading representations of fact in its 2003 and 2004 annual license renewal forms.

The Respondent agreed to 1) pay the Department a \$1,500 administrative penalty, 2) disclose the existence of this Agreement and Order on future licensing and renewal forms for the next ten (10) years, 3) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, and 4) allow the Department to incorporate the allegations giving rise to this proceeding if future violations occur.

As of fiscal year end (June 30, 2005) Respondent remained licensed in Idaho.

November 15, 2004 **THE MORTGAGE PARTNER, INC.** (Salt Lake City, UT) – Agreement and Order – The Respondent admitted to violating the Idaho Residential Mortgage Practices Act by making a false or misleading representation of fact in its 2004 annual license renewal form.

The Respondent agreed to 1) pay the Department a \$1,500 administrative penalty, 2) disclose the existence of this Agreement and Order on future licensing and renewal forms for the next ten (10) years, 3) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, and 4) allow the Department to incorporate the allegations giving rise to this proceeding if future violations occur.

Respondent remains licensed in Idaho.

November 17, 2004 **INNOVEX MORTGAGE, INC.** (Campbell, CA) – Agreement and Order – The Respondent admitted to violating the Idaho Residential Mortgage Practices Act by making false or misleading representations of fact in its 2003 and 2004 annual license renewal forms.

The Respondent agreed to 1) pay the Department a \$1,500 administrative penalty, 2) disclose the existence of this Agreement and Order on future licensing and renewal forms for the next ten (10) years, 3) abide by all provisions of the Idaho Residential Mortgage Practices Act and promulgated rules, and 4) allow the Department to incorporate the allegations giving rise to this proceeding if future violations occur.

Respondent remains licensed in Idaho.

February 15, 2005 **A-PLUS CREDIT SOLUTIONS, INC., dba A-PLUS MORTGAGE** (Sandy, UT) – Order of Denial of Mortgage Broker/Lender License – The Respondent failed to cure deficiencies in its application for a mortgage broker/lender license, as well as for a branch office location. After several notices by the Department, and the Respondent's failure to cure the application deficiencies, the Department issued an Order denying the Respondent's applications for licensure under the Idaho Residential Mortgage Practices Act.

IV. CIVIL ENFORCEMENT ACTIONS INITIATED OR COMPLETED

July 19, 2004 **RANDY DEWAYNE JENKS and WANDA JENKS, dba IKON FINANCIAL GROUP** (Boise, ID) – A Stipulated Judgment and Permanent Injunction was issued against the Defendants by the Ada County District Court, Fourth Judicial District, State of Idaho. In its Verified Complaint, the Department alleged that the Defendants had engaged in mortgage brokering activities in Idaho without a license in violation of the Act, and had also accepted fees for no, or nominal, services in violation of RESPA and Regulation X.

The court found the Defendants to have engaged in the practices alleged by the Department and enjoined them from future violations. The court also imposed a \$20,000 civil penalty against the Defendants in favor of the Department.

DEPARTMENT OF FINANCE STAFF

ADMINISTRATION

Gavin M. Gee	Director of Finance
Shirley A. Whitney	Administrative Assistant 2
A. Rene Martin	Deputy Attorney General (on assignment from AG)
Joseph B. Jones	Deputy Attorney General (on assignment from AG)
Debbi Judd	Paralegal (on assignment from AG)

SUPPORTING SERVICES BUREAU

David Jensen	Supporting Services Bureau Chief, Senior
Thomas P. Peterman	IT Systems Integration Analyst
Kalyani Rajamani	Web Design Specialist
Paula J. Kaptan	Personnel Technician
Jill R. Peterson-Pate	Financial Technician
David S. Wentland	IT Database Analyst, Associate
Cina S. Treese	Office Specialist 2

FINANCIAL INSTITUTIONS BUREAU

Mary E. Hughes	Financial Institutions Bureau Chief
Nancy G. Page	Administrative Assistant 1
Bryce C. J. Baertsch	Financial Institutions Examiner, Commissioned Senior
George L. Baker	Financial Institutions Examiner, Commissioned Senior
Bradley P. Bergquist	Financial Institutions Examiner, Commissioned Senior
Bruce M. Eames	Financial Institutions Examiner, Commissioned Senior
Vacant	Financial Institutions Examiner, Commissioned
Mark W. Boschulte	Financial Institutions Examiner 2 (underfill)
Connie D. Newgard	Financial Institutions Examiner 2 (underfill)
Richard J. Sherrick	Financial Institutions Examiner 2 (underfill)
Sam F. Blake	Financial Institutions Examiner 1 (underfill)
Seth J. Ruhter	Financial Institutions Examiner 1 (underfill)
Vacant	Financial Institutions Examiner
Ray A. Alegria	Financial Institutions Examiner, Commissioned
Larry D. Chandler	Financial Institutions Examiner, Commissioned
Rita R. Roach	Financial Institutions Examiner, Commissioned

CONSUMER FINANCE BUREAU

Michael Larsen	Consumer Finance Bureau Chief
Anthony T. Polidori	Supervising Examiner/Investigator
Karlyne C. (K.C.) Schaler	Supervising Examiner
Brian G. Cox	Financial Examiner/Investigator 1
Daniel Kline	Financial Examiner/Investigator 1
Richard Dekker	Financial Examiner/Investigator 1 **
Brenda Stubblefield	Financial Examiner/Investigator 1
Erin Van Engelen	Financial Examiner/Investigator 1 **
Janet L. Kochan	Financial Examiner/Investigator 1
Vacant	Financial Examiner/Investigator 1 **
Martha (Marti) L. Cooper	Administrative Assistant 1
Billie K. Havery	Technical Records Specialist 1
Karen Carlyle	Administrative Assistant 1 **
Vacant	Office Specialist 2 **
Vacant	Office Specialist 2 ** ** added July 1 for Mortgage Regulation

SECURITIES BUREAU

Marilyn T. Chastain	Securities Bureau Chief
Patricia R. Highley	Securities Examiner (Lead)
Nancy C. Ax	Financial Examiner/Investigator 1-Securities
Walter L. Bitner	Financial Examiner/Investigator 1-Securities
Coleen F. Hodson	Securities Investigator
James A. Burns	Securities Investigator (Lead)
Timothy D. Martin	Securities Investigator
Ginnie L. Sorensen	Securities Technician
Katy M. Witt	Administrative Assistant 1
Mary J. Harper	Technical Records Specialist 1

DEPARTMENT OF FINANCE STAFF
Recognizing Nearly 500 Years of Combined Service to the State of Idaho

Shirley A. Whitney	36 Years of Service
Gavin M. Gee	30 Years of Service
Nancy G. Page	29 Years of Service
Bryce C. J. Baertsch	29 Years of Service
Bradley P. Bergquist	25 Years of Service
Paula J. Kaptan	23 Years of Service
George L. Baker	23 Years of Service
Katy M. Witt	22 Years of Service
Ginnie L. Sorensen	21 Years of Service
Larry D. Chandler	19 Years of Service
Marilyn T. Chastain	18 Years of Service
Ray A. Alegria	18 Years of Service
James A. Burns	18 Years of Service
Timothy D. Martin	16 Years of Service
Patricia R. Highley	16 Years of Service
Mary E. Hughes	15 Years of Service
Martha (Marti) L. Cooper	14 Years of Service
Jo Ann Lanham	14 Years of Service
Coleen F. Hodson	13 Years of Service
Bruce M. Eames	12 Years of Service
Michael Larsen	10 Years of Service
Mary J. Harper	9 Years of Service
Billie K. Havery	8 Years of Service
Jill R. Peterson-Pate	8 Years of Service
Karlyne C. (K.C.) Schaler	7 Years of Service
Nancy C. Ax	7 Years of Service
Brian G. Cox	7 Years of Service
Cina S. Treese	5 Years of Service
Anthony T. Polidori	5 Years of Service
Walter L. Bitner	4 Years of Service
Mark W. Boschulte	4 Years of Service
Samuel Blake	3 Years of Service
Brenda Stubblefield	3 Years of Service
Richard J. Sherrick	2 Years of Service
Connie D. Newgard	2 Years of Service
Rita Roach	2 Years of Service
Thomas P. Peterman	1 Year of Service
Janet L. Kochan	1 Year of Service or less
Seth J. Ruhter	1 Year of Service or less
David Jensen	1 Year of Service or less
Kalyani Rajamani	1 Year of Service or less
William Cassano	1 Year of Service or less
Daniel Kline	1 Year of Service or less

EXHIBIT VII

AMERICANS WITH DISABILITIES ACT COMPLIANCE

It is the policy of the Idaho Department of Finance to comply with Title II of the Americans With Disabilities Act which mandates that no qualified individual shall be excluded from participation, denied benefits, services, or access to programs or activities, or be subjected to discrimination by any public entity.

The Department of Finance does not discriminate on the basis of disability in access to, admission to, or operation of its programs, services, or activities or in its hiring or employment practices.

Individuals who need accessible communication or other accommodations in order to participate in programs and services of the Department of Finance are invited to make their needs and preferences known to the ADA Compliance Coordinator.

Questions, concerns, complaints, or requests for additional information should be forwarded to:

ADA COMPLIANCE COORDINATOR
DEPARTMENT OF FINANCE
700 WEST STATE STREET
P O BOX 83720
BOISE ID 83720-0031

Phone: (208) 332-8001
Fax: (208) 332-8098
TDD to Voice Relay: 1-800-377-3529

This notice is also available audibly from the ADA Compliance Coordinator.

CIVIL RIGHTS GRIEVANCE PROCEDURES

The Idaho Department of Finance presents the following grievance procedure for the quick and fair investigation of discrimination complaints. Persons who feel they may have been discriminated against under conditions prohibited by law may file a complaint. The laws are those relating to nondiscrimination in the use of any of the Department's public facilities, programs or activities. These laws include protected classes of race, color, national origin, age, disability, sex and religion.

Complaints should be addressed to:

DIRECTOR OF FINANCE
DEPARTMENT OF FINANCE
P O BOX 83720
BOISE ID 83720-0031

1. A complaint may be filed in writing or by cassette tape and should be submitted with the signature of the complainant.
2. The complaint should contain the name, address and telephone number of the complainant, the date of the alleged discrimination, and a description of what happened.
3. The complaint shall be filed within 90 days from the date of the alleged discrimination.
4. The Department will contact the complainant in writing within 10 working days of receiving the complaint to acknowledge receipt and relate what action the Department has taken or will take in an attempt to resolve the complaint.
5. An investigation will be conducted within 30 working days of the date the Department receives the complaint. Investigations are authorized by the Director and may be conducted by a designee. The complainant or complainant's representative may submit evidence to support the complaint.
6. The Director or the Director's designee will send a written response to the complainant regarding the results of the investigation within 30 working days of the time the investigation began.
7. If dissatisfied with the results of the investigation, the complainant may request that the case be reconsidered. The request for reconsideration shall be made in writing or by tape to the Director of the Department of Finance within 10 days of the receipt of the Department's resolution letter.

8. The complainant may also file a complaint with the following state and federal agencies:

IDAHO HUMAN RIGHTS COMMISSION
1109 MAIN STREET
BOISE ID 83720-0040

THE OFFICE FOR EQUAL OPPORTUNITY
U S DEPARTMENT OF THE INTERIOR
WASHINGTON DC 20240

9. The Supporting Services Bureau within the Department of Finance will maintain the files and records relating to complaints for a period of three years.

Annual Report Credits

Compilation of Banking Section.....George L. Baker, Mark W. Boschulte,
Connie D. Newgard, Richard J. Sherrick

Compilation of Credit Union Section.....Larry D. Chandler, Becky Eames

Compilation of Securities Section.....Jim Burns, Katy Witt,
Debbie Judd, Ginnie Sorenson

Compilation of Consumer Finance Section.....Anthony Polidori,
Marti Cooper, Billie Kay Havery

Compilation of Department Financial Report.....Jill Peterson-Pate

Director.....Gavin M. Gee

Financial Institutions Bureau ChiefMary E. Hughes

Securities Bureau Chief.....Marilyn Chastain

Consumer Finance Bureau Chief.....Mike Larsen

Supporting Services Bureau Chief.....David Jensen

Layout, Cover Design, and Project ManagementDavid Jensen

Formatting Assistance.....Karen Carlyle

Front Cover Photo CreditIdaho State Historical Society



IDAHO
DEPARTMENT OF FINANCE

100
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Great People
Celebrating

100 Years Protecting the Integrity of Idaho Financial Markets